Asset rich radio station courts wider audience

Christchurch Correspondent

THE MEDIA

PRIVATE station Radio Otago is playing a more confident sound now that the dollars are jingling into revenue flow and is eyeing a wider listening audience.

Gone, it seems, are the rough notes of 1974 and 1975, when the fledgling station ran into the red with losses of $17,000 and $29,000 respectively.

Past losses were absorbed by 1977 — and with their passing went the low taxation status of 4XO.

Indeed, tax became a major item this year, curbing the company from really hitting a higher note than this year's 38.4 per cent profit surge.

Radio Otago totted up a tidy tax-paid profit of $69,661 — still hardly spectacular, as company profits go, but satisfactory for a small radio station.

It compared with $50,091 in 1977 — the latest result applying to the November 1978 year is rather slow in reaching annual report stage — and a year ago the tax payment was a nominal $2550.

This year, without those earlier losses coming into account, the result was trimmed by tax of $51,256.

Revenue last year was $497,566; in the latest period, that leapt to $819,175. Unfortunately, expenses also took off at $550,000 ($360,000).

Shareholders won't be quibbling. They're going to get a total payout of 20 per cent, which is double what they got the year before when dividends were restored after all that red ink was mopped up.

Advertising revenue is the major source of income for a radio station and Radio Otago's increased 26 per cent. Clearly that doesn't account for the rather dramatic revenue increase.

Chairman John Farry explains: "The gross revenue of the company increased dramatically as a result of the acquisition of two suburban cinemas and also the publication of 10 issues of a free suburban newspaper in the latter part of 1978."

Otago's step into the celluloid world was an enterprising step. Fifteen months ago it decided to take over the leasehold interests on a theatre in Green Island and another in Mosgiel.

The plunge has paid off, because the cinemas are reported to be making a significant contribution to company profits with excellent future prospects.

The step into print media is more recent. Radio O had been agonising about publication of a "free suburban newspaper" for months when it acted on October 18, 1978.

Between then and December 20 it achieved saturation coverage of Dunedin, Port Chalmers and Mosgiel with its free edition of the "Dunedin and Districts Mirror" backed by business house advertisers.

The 10 issues turned out to be profitable and the chances of a permanent publication of the "Mirror" are being reviewed.

Against such a step presumably must be weighed the possibility that the regular foray of a radio station into print media may reinforce the call by newspaper interests for the right to greater ownership opportunities in the protected private radio industry.

It is a move being made by Auckland's new private station, Radio Pacific.

Farry has given shareholders some sort of assurance that the principal source of company profit will always flow from broadcasting and it appears that Otago isn't being backward there either.

Radio 4XO has lodged an application (for hearing this month) with the Broadcasting Tribunal to start "Central Radio".

If successful with the application, 4XO would extend its signal to Central Otago, locating studio premises in Alexandra and for a minimum 6½ hours a day that township, Cromwell, Queenstown and Wanaka would get their own "locally orientated radio programme."

Having last year rejected the plea of Christchurch's flourishing Radio Avon for the right to send their signal further south, the tribunal's decision will be awaited with interest.

If Radio Otago gets the go-ahead, the cost of establishing transmitting facilities will be about $165,000.

Further north, Radio Avon has been producing mixed signals for its shareholders. It has been difficult for the company to explain a seemingly constant list of staff departures, though most were "normal" attrition. And ratings of the high-flying station have fallen under belated rivalry from an opposition state network which could not have deteriorated further.

The company is in the middle of a complex reconstruction that may be simplicity itself to those involved in the legal footwork but baffling to shareholders.

An extraordinary general meeting last December proposed to make a capital repayment of 25 cents in three stages, beginning in June and ending with a payment in June 1980.

After some last-minute consultation of the legal niceties, Avon simplified matters by announcing the entire 25c capital repayment will be made in a sum, still subject to approval of the Supreme Court.

Immediately following repayment — which will require the scribbling out of a biggish number of cheques totalling $127,400 — Avon will toss in a one for one bonus issue of one 25c share for each 25c share then held.

So after Avon has spun its reconstruction, shareholders will finish up with two 25c shares for each 50c share held, plus 25c in cash.

Avon certainly has a powerful cash position to carry out such a manoeuvre with current assets far ahead of liabilities. Net profit rose ... per cent to a record $287,... the March 31 year and earning rate on capital was an impressive 118 per cent — no danger of liquidity being threatened.

For shareholders, Avon's ratings on the market are enviable.

And it seems that the programme director will be aiming at retrieving the other ratings as rapidly as possible. In that area there may be some real changes to meet this winter.

NATIONAL BUSINESS REVIEW

60 cents

Volume 9 No 18 (Issue 335) May 23, 1979

Judge quits Brierley job and invests in timber company

EXECUTIVE director of Brierley Investments Limited, Bruce Judge, has resigned his position.

Judge has confirmed that he will no longer be employed by the investment group, though he will remain on the boards of both Brierleys and City Realties.

The decision by Judge, — the key man in Brierley's hectic takeover activities in recent years — is expected to come as a surprise at both Stock Exchange and boardroom levels.

Judge will take up a position as managing director of the Christchurch-based H W Smith Limited. He will be taking up a financial interest in the company which is a major South Island timber merchant and joinery manufacturer.

According to Judge, the company "will not take an aggressive role in takeover activity. Rather, we will act *with other companies in planning and implementing takeovers and restructuring work.*"

With a base capital of $2 million cash, it would appear that H W Smith is well suited to joint venture activity. Probably no other New Zealand businessman has Judge's background in this very lucrative field. With Ron Brierley resident in Australia, it was Judge who has been involved in the recent takeover activities of Aulsebrooks, Kempthorne Prosser, Beath and Company, Furnware Industries and Asparagus Ltd.

In addition it is generally acknowledged that it was astute behind-the-scenes manoeuvering by Judge which prevented the takeover of the Gear Meat Company by British meat giant, Thomas Borthwick and Sons.

BRUCE JUDGE . . . consultant.

CYRIL SMITH . . . $2 million.

Now Judge plans to put this expertise to use with H W Smith Limited.

He says there is a real demand for advice from both companies eager to embark on takeover activity, and companies equally eager to repel such advances.

The depressed state of the New Zealand economy is ideally tailored to such activity, Judge maintains.

"There is a lot of unused capacity in New Zealand industry — capacity which must be utilised if companies are to operate at an acceptable level of efficiency," he said.

"We have a small market, and to supply that market there is an incredible duplication of facilities. These facilities are invariably expensive and under-utilised.

"Overseas manufacturers can compete successfully with New Zealand products because plant is used on a 24 hour cycle, rather than a 35 to 40 hour week.

"In simple terms, we have to fully utilise this surplus capacity in New Zealand rather than continue to spend *millions of dollars overseas to* bring in new plant."

This philosophy was mirrored in the "rationalisation", carried out by Judge as chairman of confectionery giant, A B Consolidated.

It was largely Judge-initiated policies that led to Aulsebrooks currently operating as an efficient unit of the A S Paterson Group.

Judge is emphatic that the "entrepreneurial role" adopted by Brierleys should not be branded as that of a "corporate raider".

"In the past — and indeed this will continue — my emphasis has been on implementing efficiencies in companies which are the subject of takeover activity.

"For example, largely as a result of our move into Aulsebrooks shares, the company now has a larger market share in its principal product, biscuits, than ever. And that share is increasing."

Judge says he has the staff to continue this successful activity.

Joining him at H W Smiths will be Brierley's principal investigating accountant, Paul Collins, and Brierley's South Island manager, Graham McKenzie.

Cyril Smith, the principal shareholder in H W Smiths, will be chairman of the restructured company.

Despite Judge's move, it is unlikely that Ron Brierley will become increasingly involved in his company's New Zealand activity.

His time is more profitably spent in Australia, Hong Kong and Europe where he is involved in a number of ventures.

But NBR understands that Brierley Investments is completing a successful year's trading in New Zealand.

With Judge continuing his association both as a director and in a consulting capacity, the current high level of activity is expected to continue.

In the meantime, with another takeover "specialist" on the New Zealand commercial scene, boardroom life will have a little extra spice.

Inside:

VALUES, the nice party, has had a bout of the nasties and dumped its leader. Colin James reports — Page 2.
AIR New Zealand is plummeting into the red and into the ranks of the Government-subsidised. John Draper suggests Jumbo jets could pull the company out of its nosedive — Page 14.
TELEVISION advertisers are in a state of revolt following the restructuring decision that will give SPTV all regional ads. — Page 17.
MORE stringent import controls and higher tariffs on imported wines may return us to the days when unscrupulous winemakers made wine out of grape skins, sugar, acids and water ... Frank Thorpy reports — Pages 18-19.
PETER Isaac looks at the plastics industry — at its supply problems and recent developments — Pages 21-22.

Throne spares businesses

by Colin James

EMPLOYERS will have to keep jobs for employees who have babies, under legislation promised in the Speech from the Throne last week.

The Maternity Leave and Employment Protection Bill will provide for six months unpaid maternity leave, with employment protection during the leave.

This, said the Speech from the Throne, was aimed at extending equality of opportunity in employment. The principle, it has been demanded for some time by women's groups.

Otherwise, the Government's legislative programme as outlined in the Speech, is — perhaps mercifully — light on proposals affecting businesses.

Such as there is, reflects a more energetic approach by the new Minister of Justice, Jim McLay.

For instance, a Credit Contracts Bill is promised, based on the report in 1977 of the contracts and commercial law reform committee.

Legislation was promised last year but did not surface.

The report dealt primarily with "harsh and unconscionable" contracts and proposed that courts should have the power to order the rescission of such contracts and grant remedies.

The continuing programme of company law reform will, according to the Speech from the Throne, take another step with the overhaul of the insolvency provisions of the Company Act.

These may not be however, major changes. The 1973 Macarthur committee, on which the changes are to be based, did not consider major changes were necessary to that section of the act.

Most of the rest of the legislation is consolidating existing legislation. One promised is a Factories and Commercial Premises Bill to "amalgamate and rationalise" the Factories and Shops and Offices Acts.

The Speech from the Throne obliquely acknowledged the problems posed for the Government by its mounting internal deficit — problems which forced Prime Minister Robert Muldoon last week to impose sales taxes within weeks of the impending Budget.

Editorial, page 4.

Registered at Post Office Headquarters as a newspaper

Incorporating Admark

The nice party has a bout of the nasties

by Colin James

THE nice party has had a bout of the nasties. Values has dumped its leader.

But, it was so horrified at what it had done, that it went back to "nice-ism" the very next day and agreed, in the ex-leader's absence, to what he had been asking for.

And that was how an easily categorisable middle class post-industrial radical party came to call itself "socialist". And sent the categorisers, like me, back to the drawing board.

Middle class, the party still is. Its membership has a high proportion of university graduates and people in professional occupations — administration, teaching, science, engineering and so on.

It is of the generation that was politicised by the Vietnam war in the 1960s, a generation now beginning to reach positions of influence.

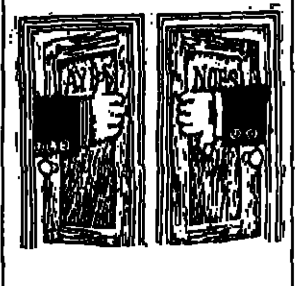
Those people are the radicals of affluence. They have the luxury of being able to eschew affluence when they choose: alternative lifestyles close to the earth, low-paid social work, big salary sacrifices to take union jobs.

They also have the luxury of choosing comfortable middle class salaries, homes and lifestyles while indulging in radical ideas.

The Vietnam movement had in it two strands: the anti-capitalist, anti-imperialist and therefore anti-American line; and the genteel, pro-peace line.

The first developed, via the Hart version of militant anti-apartheid activity, into variations of neo-socialism, including neo-Marxism. The second developed, via the environmental movement and the more restrained anti-apartheid Care line, into a range of non-socialist quality-of-life interest groups.

The Values Party was initially, in 1972, the coalescence of various parts of the second strand. But, because the two strands often intermingled, sometimes inextricably, Values also had its share of the socialist strand.



POLITICS

Being by and large politically tougher, the socialists — whose nucleus was in Christchurch — gradually influenced policy toward a socialist stance: on land, on the willingness of a "Values government" to intervene and direct, on redistribution of wealth, on compulsory co-operativisation of workplaces.

Wails of "Marxism" went up from the other wing when the industrial policy went through last year. Some of the people who thought they had joined a "let's all be nice to each other" party, began edging toward the door.

Until the inevitable electoral reverse last year, these disparate elements held together because of a generally agreed apocalyptic view of man's misuse of his environment.

But a low election vote always exposes a party's internal tensions. At Masterton they came out into the open. The left played its socialist card, and hard.

It did this through two people. Kunowski, who came into the party from the right and has been gradually converted by the socialists, came out from behind the leader's unifying cloak and staked a left-wing position as a condition to his continuing as leader.

John Stewart, the ex-Labour former full-time Values field worker and "guru" of the left, put down a matching paper on future political strategy.

The theme was basically that Values should accept the logic of its opposition to capitalism and its resort to the state in the control of resources and other policies. The logic spelt "socialism", "ecologically-based" or "libertarian" if you want qualifying phrases, but clearly on the left of the political spectrum.

The logic also demanded a mass movement, and that demanded an expansion of its narrow social base. This had to be in the direction of the working class.

To the other wing of the party, the very word "class" is anathema.

They are anti-capitalist in the sense that they perceive capitalism to be destroying the environment and dehumanising the community.

Some will also acknowledge an affinity with "socialism" in the sense of favouring a co-operative approach to political and industrial organisation. But they see most so-called socialist societies as just as environmentally destructive as capitalist societies.

They therefore prefer to look for a new spectrum on which to range themselves, instead of the old left-right choice.

Both Stewart's and Kunowski's papers were pored over on the first day. Inevitably the debate centred on the word "socialist".

A year ago, delegates from both sides of the debate told me there would have been no question of that word being incorporated into party policy. Yet four out of five workshops went along with it and the full conference seemed to be drifting toward approving it when non-socialist treasurer Chris Patterson succeeded in having the decision postponed.

What happened from then on was Values Party navel-gazing with a macabre difference. It resembled rather a search for auguries amongst its own entrails.

The leadership election the following morning became a forum for resolving the "socialist" issue.

Kunowski had softened his ultimatum on the first day, but was later subjected to a back-biting session on his paper, as non-socialists regained confidence.

He came to the election with a make-or-break proposition. Either the party committed itself to his view, or he would leave.

Margaret Crozier won and the left promptly interpreted her win as a rejection of their hopes for the party. They decided, Kunowski among them, to set up a 40-strong "socialist network", an informal grouping along the lines of the single-issue "networks" the party has on various other topics, feminism, for example.

The leadership election however, had more to it than that. Several other factors were also mingled with the "socialist" issue:

- Some people voted Kunowski, without supporting his socialist stance, on the grounds that he was the preferable leader;
- Some supported Crozier because they disliked the way Kunowski had criticised the party and individual members in public;
- Kunowski had also demanded a more efficient party machine and this could be effected wh[...] candidate won.

Besides that, Crozie[...] also publicly accept[...] "socialist" label, thoug[...] less hard-line sort [...] Kunowski was driving [...] sees herself as "left" [...] spectrum ranging [...] "preserving or incr[...] inequalities" to "red[...] inequalities".

Despite her concili[...] noises, Crozier, with only [...] 140 margin behind her, [...] she had unsuspect[...] inherited a rapidly d[...] tegrating party. Worse, [...] of the best organising [...] was likely to go, which [...] have doubled her difficu[...]

That brought her d[...] resignation. Until that [...] left began to seize th[...] portunity to swing the [...] ference back its way [...] ploiting the party's "[...] ism", a word coined [...] delegate to describ[...] habitual dislike of traum[...] preference for consensu[...] brotherly love.

Next day, all the left's p[...] were conceded with [...] majorities: a tighter, [...] professional organisatio[...] word "socialism" [...] Stewart's forward strat[...]

As a bonus, leftists [...] March and Richard [...] (the badly needed fu[...] were made president [...] of the two deputy lea[...] Crozier moved to [...] Stewart to the newly [...] "strategies council".

It began to look as if [...] had won the battle but [...] war. The left seems [...] control.

But firmly in control [...] what? Membership is [...] 1000 and active member[...] less than half that. Now [...] has been forcibly divided [...] ideological lines, that [...] can be expected to [...] still further.

It does not look li[...] promising vehicle [...] developing a mass move[...] to bring in the new soci[...] and democratic, liber[...] just, sustainable — [...] based on sound eco[...] principles.

First, the left has a d[...] "educational" job ahead [...] persuading even the [...] socialist majority of [...] members to take the [...] on board and underst[...]

Even if it succeeds [...] without reducing the par[...] a tiny splinter, the c[...] "educating" a wider p[...] their view and develop[...] broad-based Values Par[...] remote, though the [...] remains open to the poss[...] of providing an intell[...] motive force to some [...] progressive move[...] (perhaps out of the ashes [...] next Labour defeat).

Perhaps the answer li[...] Crozier's commitment to [...] on various issues as a [...] multifaceted pressure g[...] Such influence as the part[...] had has been throug[...] activity at sub-national [...] and it offers the best cha[...] holding the existing [...] bership together, since i[...] allow the non-socialist[...] pretend that what happen[...] Masterton was not for r[...]

Certainly, I had troub[...] times that weekend con[...] myself I wasn't in [...] bizarre dream.

Billion dollar white elephants may pay off

Energy Reporter

BILLIONS of dollars of public money squandered on white elephant power schemes promised to make electricity planning a hot issue at the Auckland energy conference. But the vigorous debate which seemed certain turned out a fizzer.

Five hundred people waited for the public interest groups to front up with their chief electricity critic, Robin Court. But Court — billed to present a punchy paper on defective electricity planning — didn't show.

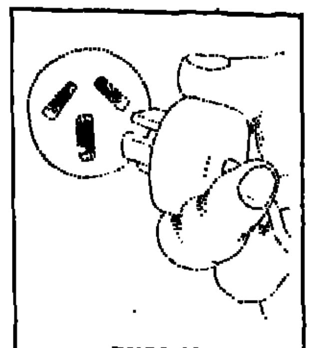
Energy Ministry commercial engineer, David Cook had pre-read Court's paper.

He arrived at the conference with a two-page press statement and confided he wanted to get out front and answer charges of "official secrecy as a means of covering up incompetence".

Within minutes of general discussion, Cook got to his feet and asked the packed theatre to fire questions at him.

Not one person got a question in. The noisy contingent of sociologists had already turned the spotlight on to "people problems".

Cook put his case to NBR. He referred to Court's assertion ... "problems include a present over-capacity of some 40 per cent in the generating system, which seems likely to increase over the next four years if plans currently afoot are carried out. This over capacity



ENERGY

has involved the misdirection of expenditure of a sum in excess of $1000 million which for some reason the electricity industry doesn't seem to publicise".

Cook said: "One of the main problems is that of uncertainty of input information. Who would have predicted 10 years ago that in 1978 New Zealand's population would have shown a falling tendency?

"Who is prepared to say whether this tendency will continue? Who could have foreseen several years ago the seriousness of the economic recession through which New Zealand would be passing and that it would continue to last as long as it has. Has any economist been able to state 10 years ago or even five years ago that in 1977-78 New Zealand GDP would fall by 2.9 per cent. Another area of uncertainty is that of Government policy on electricity pricing. Can any forecaster get a feel for this when we have had the extremes of 8½ years with no price increases, followed by annual increases of 60 per cent, 40 per cent, 5 per cent in bulk tariff with a further announced but superseded by a decision to increase by 60 per cent?"

But what of the costly white elephants? The thermal power stations which will be mothballed before they are commissioned? The half billion dollar Maui development with its shaky market?

We can regard these as opportunities ... Maui gas is the basis for petrochemical industries. Surplus electricity in the 1980 s can be the basis for developing export industries boosting foreign exchange earnings. We're beginning to realise energy's not an end in itself. Foreign exchange really is the question that confronts New Zealand, and limits our growth.

Court is calling for an end to it all. "The surplus capacity could be reduced or eliminated in two ways: by slowing construction or by increasing demand. Scheduled construction-rates certainly have been slowed in the past, but there are limits related to employment, cost escalations for delayed construction, storage and depreciation problems of delivered but unused equipment, the reluctance of the forecasters to admit they have been wrong."

Cook says: "Forecasters have not been insensitive to changes in electricity growth patterns over the past few years. This is a new phenomenon, and they were at pains not to over-react, with the possibility of causing future shortages, as has happened in the past."

They have, however, cautiously reduced their estimates:

End of Year	Reduction Percentage
1975	5.2
1976	11.6
1977	8.7
1978	24.4

With a band of uncertainty extending a further 11.3 per cent downward.

"Margins are necessary in any power system to cover contingencies," says Cook.

It was a pity the Cook versus Court debate didn't get the conference time it deserved.

This issue highlighted the impression that the fourth New Zealand Energy conference (at the time we went to press) had failed to become involved with "firefighting" immediate and midterm problems. It preferred instead to dwell on what can roundly be termed as "lifestyle".

Muldoon upstages broadcaster's plea

THERE'S a certain irony about the Prime Minister's deciding last Wednesday it was time to do something about the economy after weeks of preoccupation with broadcasting.

The day he announced his latest bunch of measures was the same day that TV1's Ian Fraser had been sounding off about the PM's intimidation of broadcasters and about the latest organisational shake-up.

Fraser called for a halt to the latest restructuring while a public inquiry was held into the state of broadcasting.

"There are claims of gross mismanagement, cries of editorial bias, shrill criticism of programme quality and standards, and local output is falling," said Fraser.

"A climate of fear has been created which is diverting programme-makers from their primary job of making programmes. Meanwhile, yet another restructuring is in the pipeline.

"I think we have a right to some independent answers to the questions and accusations that have been put up against broadcasting..."

Fraser's assertion was that if broadcasting's the national scandal some of its critics allege, "it's time to take the lid off. If it isn't, a royal commission is in a better position to establish that fact than any group of broadcasters."

A call from a prominent broadcaster to let the public — or the customers — have a hard look at what's going on behind the scenes ought to have generated quite a buzz. But Fraser was upstaged by the PM.

The PM won the bulk of attention on the front pages of the major morning papers next day (Fraser did best with the Dom, which had him on Page 2). And Radio New Zealand's Morning Report — which had Fraser lined up to say a few words — abandoned the exercise to devote most of their energies to the latest economic decisions.

EDITORIAL

AS circumstances change, an earnest Prime Minister told businessmen earlier this month, the economic situation "clearly will require some very rapid footwork..." Rob Muldoon was trying to explain why he didn't have an economic plan. But more than anything, he was admitting that he has been leading the country a merry dance — and last week, when he suddenly waltzed in with a package of petrol price rises and sales taxes, his ability to manage our beleaguered economy became highly suspect.

Economically, perhaps, it was no big deal. New petrol prices had been expected for some months and a sales tax on domestic goods was consistent with steps being taken towards a system of indirect taxation. As a spin-off, it should divert manufactured goods to export markets.

The timing of the announcement — in the midst of a Labour Party conference, on the eve of a march on Parliament by workers already aggrieved at Government policies, and just before Parliament had been opened — is a different matter. The price rise for petrol could have been introduced weeks ago, to help effect the Government's campaign to constrain consumption. The sales taxes belong more appropriately in this year's Budget, just a few weeks away, with the other measures that give expression to the Government's economic programme for the next year.

Because the Government couldn't wait the few weeks till Budget night, the moves can only have been designed to be politically provocative — or else Muldoon is so desperate that he couldn't delay any longer a measure that will raise only some $35 million revenue in the present year. And if things are desperate — well, we can complain we have been misled.

Last October 11, Muldoon assured us: "In the absence of a major catastrophe such as a further decline in our terms of trade brought about by the collapse of one or more of our markets, I can see the course of the New Zealand economy in the short to medium term, and it is a picture which should sustain the confidence of the business community."

Opening the election campaign, he made much of his benevolence in the tax area ("Government spending has been held back so that we have been able this year to give the taxpayers the greatest tax cuts in any budget in New Zealand's history and as unemployment diminishes, so the high cost of paying people in special work and on the unemployment benefit will further diminish and the Government deficit with it...")

In January, he said the impact of an increased Government deficit would fall heavily during the first half of the coming financial year, but he saw no need for the Government to alter its short-term policies.

It was only three weeks ago we learned it was not possible to set out even a short, let alone a medium term, plan in detail "for the very simple reason that the basic assumptions are being changed, virtually from week to week, by events which are occurring in the international economy.

The Government then was engaged in a levelling out exercise. Because budgetary changes could not be made till the middle of the year, the continuing Government deficit was increasing the money supply "quite rapidly" and it was necessary to mop some of it up "by one or two rather spectacular operations". Thus was explained the series of shocks since February which resulted in the daunting 60 per cent hike in the bulk price of electricity, the reduction of milk subsidies, increases in a number of State charges, and the 13 per cent lure to divert money from the private to the public sector.

Muldoon believes his May 2 speech restored business confidence. Maybe so. But there is nothing to assure us there will be no more spectacular operations between now and Budget night, and so we cannot rule out the possibility of more economic packages. In the resultant economic climate of uncertainty that results from day-to-day tinkering business confidence must again tumble.

Bob Edlin

ADVERTISERS are being pushed into gambling on pig in a poke media buying by both TV1 and SPTV.

Both channels intend charging premium rates for what they consider top programmes. These premium charges are being made in anticipation of high ratings. But advertisers are given no guarantee that these ratings will be achieved nor will there be a refund if the programme bombs out.

TV1 is advertising fixed programme rates at a premium price of $2000 for 30 seconds during its new Holocaust series.

The series is being sold to advertisers on the basis of ratings achieved in Australia assuming that New Zealand audiences will respond in the same way.

SPTV's new charge card includes six programme codes relating to expected ratings. The top coded programmes are charged at a premium fixed rate and sold on a buyer beware basis.

This marks a new departure in TV's media selling. Formerly only proven high audience share winners such as live telecast sports events were charged premium rates in anticipation of high ratings.

●

LABOUR Party thinking is clearly not going to deter newly elected president Jim Anderton as he works to put the party on a sound financial footing for the next election and wipe off the debt from the last.

His first campaign was to win support for the idea of raising membership fees from $1 to $10 a year.

"If kids are happy to pay $10 to see a David Bowie concert — which is something they value — why shouldn't people pay $10 to join a major political party?"

An attempt to get his Auckland branch to lead the way before the conference by raising annual subscriptions to $5 failed.

But Anderton was not deterred.

He put another motion to the assembled, 25 cents a week. And lo, it was passed.

WITHOUT WORD OF A LIE

So branch members are now happily forking out $13 a year to belong to the party.

Perhaps little and often is the Labour Party's answer to our problems.

●

THE rank and file took over with a vengeance at the Labour Party conference last week.

Not one of the party's members of Parliament was elected to a position on party committees or councils (although some were co-opted).

Last chance came for the MPs with the vote for the Maori Policy Council representative . . . and out went Brown Rewiti who had been a member for the last three years.

At one point, an angry Arthur Faulkner spoke out for the MPs: "You either trust us or you don't..." That only invited the rejoinder: "We don't."

More sensitive to the mood of the conference was Bill Rowling, who at one stage insisted that MPs would be expected to accept discipline and direction in the next three years...

His words were greeted by a ripple of approval running through the conference, and some open clapping.

●

ROB Muldoon, Prime Minister *and part-time journalist*, had his journalistic colleagues scratching their heads and wondering after his latest media-bashing outburst in his weekly column in NZ Truth.

The New Zealand Herald joined the NBR, Christchurch Star, and Sunday News in the ranks of the PM's most hated newspapers. Their sin, according to the PM, was leaking a Treasury discussion paper.

Trouble is, no one at the Herald can remember publishing any such Treasury paper.

The Auckland Star did run a story about a Treasury paper some weeks back — but not the Herald (at least, not that anyone can remember).

Could it be that Muldoon's eyesight was insufficient to detect the Star's new typeface?

Of course Muldoon showed similar signs of short-sightedness when he thought he had the SUP's Bill Andersen singled out for badgering at an election campaign meeting, only to discover later that Andersen had spent the evening elsewhere.

We can only suspect that this problem with myopia goes a long way toward explaining the lack of vision being demonstrated in economic planning.

In case anyone had forgotten, the Treasury paper in question, probably was the economic briefing for an employment group.

This paper predicted that New Zealand's unemployed would rise to something like 300,000 by 1986 unless this country restructured its economy.

NBR published an analysis of future unemployment almost identical to the Treasury paper on April 4, 1979. No top secret information was needed in the preparation of this analysis — it all came from publicly available data.

But maybe economic miracle workers operate better in the dark — unspotlighted by glaring facts.

And now we are left wondering if Muldoon's cavalier regard to facts means he should stick to politics and leave the journ[alism] profession to professional[s] whether the person [hold]ing the Finance portfolio sh[ould] have such a sound [grasp of] facts that Muldoon [would] indeed be better [selling] newspapers — perhaps [selling] them on street corners.

●

THE suspense was [...] and the gremlins could [...] no more. And so the G[overn]ment's best-kept secre[t] — date on which the carless [days] scheme comes into [force] was leaked out.

First, a secret doc[ument] went missing in Wel[lington] and then application for[ms for] carless days stickers app[eared] alongside the railway line [near] Palmerston North.

Now we all know July [...] date for the introduction [of the] six-day-a-week car. [On the] seventh shalt it re[st]: Government decree.

But gremlins first [...] advertising consultants [Wood] and Mitchell Ltd. The [...] messenger boy l[ost the] document in Wellington.

We rang Felix Wood [to find] out what happened. [He was] surprised we had not [...] received a call from [...].

"I rang every editor [in the] land, newspapers, [television] and radio and asked the[m not] to publish anything." [He asked:] "Would NBR agree [to do] so as well?"

The editor of the [Evening] Post at least did not [feel] constrained and a st[ory ap]peared in the paper's [first] edition (but, curiously [not in] the second).

Wood rang NBR [...] would be most [...] said, if we did decide [to publish] because if it became [...] known that the [...] messenger boy had slipp[ed] he would have no option [but to] sack the lad.

We didn't publish, be[cause] our information was sk[etchy] and there were other [...] occupy our energies.

But we have [...] from other sources that [...] time the lost document [was] "highly sensitive". It [...] alterations to be made [...] poster announcing the car[less] days scheme — includ[ing the] date when the scheme would be introduced.

Wood and Mitchell's messenger apparently was delivering the poster when his motorbike broke down. And Wood said, while trying to fix it he had obviously put his hand in his pocket and unwittingly pulled out the single sheet of paper which has not been seen since.

Meanwhile the Government Printer, the Railways and the Post Office are investigating how application forms for carless day stickers were found by a jogger near Palmerston North.

The bundles of forms were the waste copies from the Government Printers' presses at Masterton and were en route to Kawerau for pulping.

●

ROGER Douglas, newly promoted to the Opposition front bench in the House, had a good week at the Labour Party conference last week. On stage he got a far better reception than his deputy leader, Bob Tizard, when the two made the keynote speeches on the economy. More than that, Tizard picked up a ball Douglas had set rolling single-handed in February: an attack on the national superannuation scheme which was backed by the conference as a whole.

The question now arises whether Douglas will have similar success with another ball he set rolling at the conference when he said: "Direct taxation must be reduced and replaced by some form of indirect taxation of an expenditure or sales tax nature.

"Before delegates holler the cliches of the past, that this will hurt the lower paid worker," he went on, "I suggest they analyse the changes that have taken place in incidence of direct taxation, or they do some simple arithmetic on who will pay the indirect tax — and who could receive the direct tax reduction."

Douglas's own arithmetic tells him that the present system favours the better off.

●

SURPRISED shareholders in tourist operator Trans Holdings are wondering how five directors with a few shares can stop a takeover bid.

The five directors, all founding members of the Christchurch-based group, hold 1.47 per cent of ordinary shares.

And any takeover offer is conditional on the successful renegotiation of their service contracts with the bidder.

Carpet and cardboard box maker UEB Industries Ltd is bidding for the tourist company and its offer contains a clause noting that the takeover scheme is "conditional upon the renegotiation of these service contracts".

Trans Holdings managing director Donald Hurst says the clause is "a hedge against possible undesirable takeover offers. This is a desirable situation," he said.

The five directors, chairman Arthur Mundell, James Cronin, Donald Hurst, Keith Pillidge and Bruce Robertson will be re-employed by UEB which is now understood to have acceptances from 60 per cent of the shareholders.

UEB's offer is conditional on a minimum of 75 per cent of the shareholders accepting the offer before June 8.

Hurst denied that Trans Holdings had approached other possible partners including the Winstone Group before the UEB offer. "We did have discussions with Winstones at times on specific projects but not regarding a takeover," he said.

●

"CLOSER control and greater co-ordination by a single board will allow better management, particularly in financial, regulatory, administrative and staffing matters . . ."

Those are the words of one Hugh Templeton, who some of us might remember was once appointed Minister of Broadcasting.

"It will also permit more effective planning of the future development of the broadcasting services in a period of rapid change," said Templeton.

He could not say definitely what savings would be made through the new integrated structure but he was sure there would be efficiencies . . .

He wasn't talking about the broadcasting reorganisation by his old mate Ian Cross. Those words were reported in the New Zealand Herald in June 1976 to explain the Government's intentions when it re-established the Broadcasting Corporation.

So if you've been experiencing a degree of deja vu during the current bout of political huffing and puffing as broadcasters are brought more firmly under the thumbs of the Muldoonian masters, it's because the professed aim of the current exercise is so very similar to the professed aim of the last one. And all with the same vague notions about savings being effected.

As this paper reported last month, the financial effectiveness of the Cross restructuring won't be known at least till late 1982.

But Cross — as Templeton did in 1976 — has confessed that even he can not spell out how much will be saved.

"No, it is impossible to quantify the effects of the benefits which flow from unification," he told The Listener a few weeks back. "But I would expect — and I am certain of — savings."

So why should we expect any more out of this restructuring than the last . . .?

Well, we shouldn't. Indeed, we should look particularly suspiciously at anything we are given in the way of assurances.

In less than a year after restructuring broadcasting in 1976, the Government opted to take over the corporation's $40 million debts . . . and in return secured assurances that the corporation would provide for its own future capital. But the corporation must go cap in hand to Government for permission to raise licence fees — which make a vital contribution to its revenue. It did that months ago . . . and is still waiting for a decision while Muldoon warns broadcasters that if they displease him, their activities might be considered extravagant and they won't get their money.

Which makes a mockery of Templeton's precious words in 1976: "I want the services to have the maximum possible independence under their directors-general . . ."

●

IF the latest restructuring means anything, we are told, it is to put broadcasters at Cross purposes . . .

And while the new set-up is being moulded, the invariable jockeying is going on for top jobs.

Betting on the post of production controller has become more interesting with the scratching last week of Kevan Moore (who till then had appeared in a shoo-in, much to the dismay of many Avalon staff).

An outsider for this job? Well, how about Billabong Bill Munro. Besides having the undoubted plus of a surname beginning with "M" for Martin, Morris, Moore and Monaghan, Munro might be remembered as a man who was TV1's controversial Controller of Programmes when the Douglas scheme was implemented.

He quit to return to Australia only because he couldn't put up with the Wellington climate. The Auckland climate, where the new programming supremo will be based, is quite a different matter . . .

●

PARTIES used to power do not bother much about their constitution. Thus the National Party leaves such matters largely to its rules committee.

But for parties not used to power, constitutions have a gripping fascination. Thus we have just had a week in which two political parties dwelt at length on how they should run themselves.

It is a pastime that produces at times amusing results. The Values Party debated for some time a resolution that it should have more than one deputy leader. It was moved to add the letter "s" to the phrase "deputy leader" wherever it occurred.

Then came the amendment: "That brackets be put around the 's'."

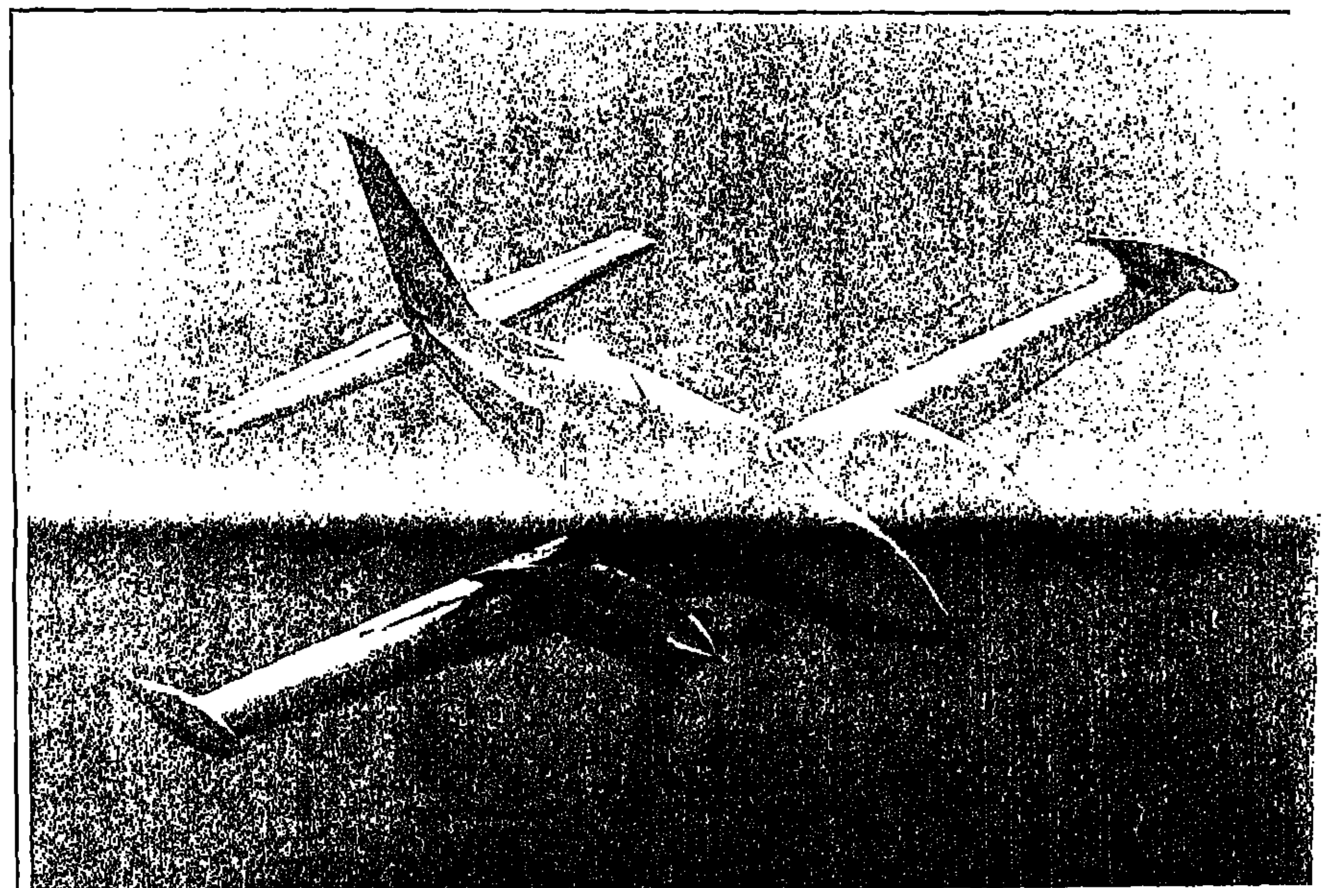
A hard one to beat, but — the Labour Party managed. At a time when economic and social questions of momentous importance are crying out for answers — or at least reasoned debate — 800-odd Labour activists in conference were bending their messianic minds to remits such as this:

"149. Move to follow Rule 142:

After 149 establish sub-heading 'meetings' which will be followed by rules 143, 144, 146, 150, 152. Then have sub-heading 'quorum' which would be followed by rules 145 and 151, followed by sub-heading 'annual report' which will take in rule 147."

Why do they do it? Because most of them want to get into Parliament and what better training could you get?

BROCKIE'S VIEW



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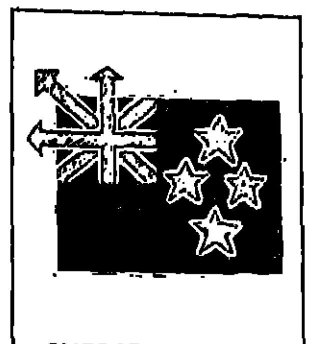
Iran after hasty US departure: space for NZ



OVERSEAS TRADE

by Warren Berryman

IRAN — oil rich, with a population of some 35 million, presents an attractive market for the New Zealand exporter.

The United States, a major source to Iran of technical services and imports in the past, is on the political outer. It is seen as the country that imposed the Shah's tyranny on the Iranian people in a CIA-led coup designed to secure for American oil companies their share of Iranian crude.

Tiny New Zealand, unblemished by past power politics, has a golden opportunity to fill a small part of that gap left by the United States' hasty departure.

To succeed, the New Zealand trader will, unless he is very lucky, have to shed his rigid ethnocentric attitudes to become something of an old Asia hand.

Local knowledge will be even more important under the new regime than it was under the Shah. The Shah's Tehran was peopled with Westernised Iranian businessmen and bureaucrats. Provided the goods one wished to market were meant for this elite market only, and provided the exporter had patience and did not suffer from moral constipation and was willing to pay the necessary bribes, deals could be struck.

It is unlikely that the endemic corruption that plagues Iran will be wiped out with the revolution. It is likely, however, that the Westernised elite will lose their status and power — at least until they are needed to provide technical and administrative services to the new regime.

But still under the Shah's "modern state", religion and local taboos had a way of creeping into business deals. Even the butter salesmen from the mighty EEC had marketing setbacks when trying to dump part of their butter mountain on the Iranian mass market.

The butter was packaged in two seer packs (an Iranian unit of weight) and sold at about half the price of Iranian butter. It sold in North Tehran to the Westernised elite. But the butter did not have the Mullah's blessing and the mass market were told the reason the butter was so cheap was that it was made from pig's milk — anathema to the Moslems.

Even Iranian businessmen can have religiously based marketing setbacks. Pepsi Cola is a big seller in Iran — but not as big a seller as it might have been had the owner of the bottling company been a Moslem and not a Bahai. There is a sector of the mass market who refuse to drink Pepsi thinking it niges (unclean) as a non-Moslem was involved.

While the Mullahs hold sway, religion, and a deep seated Iranian distrust of things foreign will be a key factor in the marketplace.

But the Mullahs have a wealthy country to run. And, in time they will undoubtedly have to turn to the less religious Westernised technocrats to handle the day to day administration.

There they have two choices, the Communist Tudeh Party, the National Front or its splinter groups.

The Communists with their anti-clerical stance are an unlikely choice.

The National Front was founded by Western educated democrats who had a brief heyday during the Mosedeq regime. While Westernised, and sharing the liberal democratic ethos of the West, the National Front has every reason to distrust and despise the West — and in particular the United States.

When interviewed by Robert MacNeil, of the American Educational Broadcasting Corporation, last December, Ayatollah Khomeini said, "the American Government, they have committed the biggest crime by imposing on our people the Pahlavi dynasty. Through this support they have plundered our natural resources . . ."

That interview was in Ponchartrain, France. The Ayatollah is now in power.

Iranian attitudes toward the West, and the hatred behind the recent wave of political executions, was moulded in the torture chambers run by Iran's secret police, SAVAK.

It all began back in 1951 when Iran's Prime Minister, Mohammad Mosedeq came to power, threw out the Shah and established Iran's first democratic state.

Mosedeq also nationalised Iran's oil which was then owned by the Anglo Iranian Oil Company (now called British Petroleum). This move put Mosedeq offside with the worldwide brotherhood of oil which placed an embargo on Iran oil.

The USA had been eying the British oil monopoly in Iran with envy since World War I.

The oil embargo, plus internal political pressure from the Tudeh party weakened Mosedeq's Government and the US had its chance.

A foreign aid programme provided the tool. Sold to the American public as technical aid to help the Iranians help themselves, the aid scheme had been used instead to set up an American, Norman Schwartskopt, as head of the Iranian police and supply him with small arms. Military aid placed American officers in the Iranian army.

All that was needed was a catalyst and a few million in bribes to overthrow Mosedeq, set up the Shah as an American puppet, and hand some of Iran's oil to American oil companies.

The catalyst was CIA operative Kermit Roosevelt.

Roosevelt's operative bribed army officers and even made the anti Mosedeq move appear a popular revolution by buying hired thugs in South Tehran at 75 cents a head to riot in front of Mosedeq's residence.

The CIA installed General Zahadi as premiere until the Shah returned. American oil companies got their share of BP's holdings. And Kermit Roosevelt, the CIA operative, after a seemly lapse in time, went on to become vice president of Gulf Oil.

The brief period of democracy under Mosedeq brought all the Shah's opponents out into the open. The Shah's return brought a bloodbath, political imprisonment and torture. The CIA lent a hand. And American foreign aid was used to pay off the Iranian army, gendarmerie and police who betrayed Mosedeq.

The Shah's tyranny lasted these last 25 years until the Ayatollah's revolution.

Iranian memories are likely to be long. As the Iranians say, "the winter is past, only the black face remains on the charcoal seller".

Future traders from the West will have to live down the legacy of the black face.

Insurance firm shows optimism

Melbourne Correspondent

THE United Kingdom insurance company, General Accident Fire and Life Assurance Corporation, has acquired an historic building in Melbourne's business district as its head offices for the State of Victoria.

The 103 year-old building was formerly the headquarters of the Australia and New Zealand Bank and cost General Accident \$(A)2.9 million. A further \$(A)1.5 million will be spent on renovations.

The company's acquisition of such prestigious premises is seen as an indication that it plans to embark upon a more aggressive role in the country's insurance business.

General Accident's gross premium income in Australia has risen from \$(A)20 million in 1973 to \$(A)45 million in the year ending December 1978.

A company spokesman in Melbourne said the expenditure on new head offices reflected an optimism in General Accident's ability to expand in Australia, but conceded that such optimism is quite uncharacteristic of Australian insurance circles generally.

Some of the keenest competition ever experienced in Australia has caused some major underwriters to report substantial losses in the last financial year. General Accident itself reported an underwriting loss of \$1.5 million on Australian business for the calendar year ending last December, compared with the \$3.1 million profit earned in 1977.

Despite its own losses, and predications of even greater losses for Australian insurance generally, the company's Melbourne spokesman said the acquisition of the new premises was an expression of its faith in the long-term prospects for expansion.

General Accident has been established in Australia since 1903. To choose now of all times within that three quarters of a century, to expand, is both a remarkable expression of confidence in itself, and a stark contrast to the sombre mood of Australia's underwriters.

NBR BUSINESS WEEK

Securities Commission power held to reviewing

by Peter V O'Brien

THE trumpeting press statements and speeches are over — now the Securities Commission gets down to work. The tangible evidence of its powers will not be seen for some time, unless the commission decides it has to intervene in some marketplace development which calls for action.

At the commission's inaugural meeting last week, Justice Minister Jim McLay said the first area of attention was framing recommendations for regulations under five broad headings: contents of prospectuses; permitted style of advertising; contents of an optional standardised trust deed; contents of deeds of participation required for less usual types of securities; and regulation of contributory mortgage schemes.

McLay said this required time, and that regulations would be unlikely before next year.

But commission chairman Colin Patterson said that he and his colleagues would, if necessary, be prepared to intervene if undesirable practices relating to trading in securities came to their attention.

The commission's powers to do this may be constrained until Parts II and III of the Securities Act come into force. Those parts of the Act relate to "Restrictions on Offer and Allotment of Securities to the Public" (Part II) and "Amendments to Other Acts" (Part III).

The former will need the formulation of regulations before the various powers contained in the part can be implemented (including liability on issuers and their possible offences), while the latter cannot be brought into force until regulations are made, because changes to other acts now would leave a wide field of activity uncontrolled in the interim period.

The commission's powers to intervene before Parts II and III come into operation appear to be restricted to section 10 of the Act. That section describes the functions of the commission.

"The functions of the commission shall be:

To perform the functions and duties conferred or imposed on it by or under this Act or any other enactment; and

To keep under review the law relating to bodies corporate, securities, and unincorporated issuers of securities, and to recommend to the Minister any changes thereto that it considers necessary; and

To keep under review practices relating to securities, and to comment thereon to any appropriate body; and

To promote public understanding of the law and practice relating to securities."

Apart from recommending a change to the law, as opposed to regulations, it seems that the commission's sole powers to intervene in a particular situation before Parts II and III are implemented are confined to (c) of section 10.

Section 17 of the Act says that the commission shall have, without limiting any other provision of any act, "all such powers as are reasonably necessary or expedient to enable it to carry out its functions or duties. That section does not appear to cover cases where activities in securities are currently controlled (or not controlled depending on one's viewpoint) under other acts or regulations".

And references in Part I to hearings and similar matters relate to sections of the Act which are in Parts II and III, so they do not apply to these cases. It seems therefore that, until those parts are brought into force, the commission is limited to keeping under review "practices relating to securities and to comment thereon to any appropriate body".

A body with the commission's status could expect its "comments" to be listened to carefully and acted on, but when substantial sums of money are involved we may have a situation for 12 months where those "commented" to, could decide the amounts involved are most important than being persuaded to g[...] up their practices.

A year is not long in terms [of] getting sensible [and] appropriate change to [the] securities industry, but it is [a] pity that the time period [will] have to elapse before deal[ing] in securities, as opposed [to] issuing them, can be giv[en] effective treatment.

Patterson said last week that the commission would be looking into, among other things, the question of disclosure of interest by people who wrote about, commented on, or recommended securities. Some people in the commenting field can, and do, influence the market prices of securities, particularly on the sharemarket. The public should be able to know whether there are associations with those securities.

Patterson made the point last week that the Australian mining boom saw cases where "tip sheets" were being issued pushing specific shares. The income received from the sheets, or from commissions arising out of handling shares recommended, was incidental to the substantial trading profit the writers obtained by trading in stocks they were recommending. They thus indirectly, rigged the market.

There is nothing intrinsically wrong with a person making a public recommendation of a company in which he owns shares, because there is merit in the concept of "putting your money where your mouth is". Disclosure of interest might help the public know whether the commentators were merely theorising, or examining the virtues of an investment in which they were prepared to take the ultimate step of fronting up with cash. Knowledge of the latter could even reinforce the recommendation, at least until such time as the commentary investor was shown to be a regular loser.

Analysing annual accounts

by Peter V O'Brien

THE New Zealand Refining Co Ltd, is in the curious position of failing to earn sufficient profit to cover its dividend payment. The annual report for the year ended December 31, 1978 shows that the company's net profit was $1,732,000 while the dividend required $1,800,000.

But the shareholders are unlikely to view the result as a "disaster". The dividend payout has been effectively increased 1 per cent over the previous year. NZ Refining had a one for one bonus issue last year. The dividend rate is now 7.5 per cent but the rate on the pre-bonus capital was 14 per cent. On that basis this year's dividend is 15 per cent.

The company is concerned at the erosion of profit in recent years, particularly when inflation is taken into account. The return on average shareholders' funds is down to 2.5 per cent, taking account of a 1977 revaluation of fixed assets. The figure would be even lower if the proposals of the Richardson Committee on inflation accounting had been implemented.

The balance sheet is unusual for a public company in that the relationship between shareholders' funds and total assets (the proprietorship ratio) stands at 94.1 per cent. The only entries on the liabilities side are current liabilities of $3,056,000, term liabilities worth $936,000 (mainly a mortgage from the Department of Lands and Survey of $894,000) and deferred taxation of $289,000.

Last year's capital reorganisation, plus the proprietorship ratio, will serve as a useful financial base for handling the $375 million expansion proposed for Marsden Point. The company said very little in the report about the expansion, although it may provide more information at the annual meeting next Monday. The expansion is covered in the following brief passages.

"Since the company's letter to shareholders in February, 1978, discussions and negotiations with Government officials have continued. The company's bankers, the National Bank of New Zealand, in association with the Bank of New Zealand, have also been involved in the financial discussions, which have now been satisfactorily concluded.

"The company's technical advisers have now updated the feasibility study which was submitted to Government in 1976 and have also prepared an additional study on the use of methanol in gasoline blending. These latest studies have been submitted to the Government" — end of story.

A company which proposes a development costing five times its present total assets could be more forthcoming about its proposals when financial discussions have been concluded. The Government is involved in the feasibility study, so some parts of the scheme may have to be kept confidential until officialdom gives its final seal. But it should be possible by now to disclose further details on the financial aspects of the scheme, even in a broad outline which would not affect any "delicate" dealings with the overseas financiers who will be providing most of the finance.

Apart from its strong proprietorship ratio, N Z Refining must also be one of the most liquid companies in the country. The balance sheet shows a surplus of $18.6 million in net current assets, after deducting current liabilities of $3 million from $21.7 million worth of current assets.

The latter comprise $1,395,000 in materials stocks, $5,720,000 for debtors - "processing fees", $3,832,000 as debtors "other", and $10,766,000 in cash and short-term deposits. There is no bank overdraft, only $650,000 owing to creditors, $1,000,000 as a provision for the refinery's biennial overhaul, and the rest of current liabilities comprises the normal provisions for taxation and dividend.

In theoretical terms the company would be a good takeover prospect, although there is little one can do with a refinery other than refine oil into the various products listed in the report. There is a net asset backing of $2.97 (the share price last week was 88 cents), and all that lovely cash would be available to reduce the purchase price. But that is theory and will never be a practical proposition.

The five week shutdown of the refinery for overhaul was the main reason for the profit decline in the 1978 year, when earnings were $1,732,000 compared with $1,990,000. In 1977 the crude and feedstock intake was 3,279,000 tonnes, averaging 63,057 tonnes a week on the basis of a 52 week year. Last year the intake fell to 2,954,000 tonnes, which was an average of 62,850 tonnes for a 47 week year. The two average figures are so similar that (obviously) the shutdown affected production, which in turn reduced profitability, in spite of an increase in processing fees from 77 cents a barrel to 81.46 cents a barrel "when it was apparent that throughput was likely to fall below the estimated level".

An increase of 10.66 per cent in operating costs eroded the net amount available from processing, but that increase (mainly "the cost of imported process materials and wages and salaries") was low by the standards of most public companies. Overhaul expenses cost $447,000 in 1978 (nil in the previous year), while a deduction of $1 million was made for "overhaul provision", compared with $750,000 in the previous year. If the amount of $697,000 was added back to profit the result would have been a reasonable improvement on 1977. The company makes provision each year for the overhaul, but the actual cost last year was higher than the amounts provided, resulting in a decision to lift the annual deduction from $750,000 to $1 million.

Costs will rise again this year, and at a faster rate than in previous years. An additional $180,000 will be needed to cover higher electricity charges, extraordinary maintenance will cost $500,000 and replacement of plant in February has already cost $260,000. Those items alone account for 7.6 per cent of 1978's total operating costs.

Exchange rates

As at May 17, 1979 $1NZ is worth:

Australia	.9420	Italy	880.66
Britain	.5069	Malaysia	2.3052
Canada	1.2058	Netherlands	2.1617
Fiji	.8687	New Caledonia	82.96
Japan	222.42	and Tahiti	5.3800
West Germany	1.9747	Norway	10.23
USA	1.0419	Pakistan	On Application
Austria	14.54	Papua-New Guinea	51.33
Belgium	31.62	Portugal	2.2828
China	1.6325	Singapore	.8749
Denmark	5.5571	South Africa	68.43
France	4.5603	Spain	On Application
Greece	38.20	Sri Lanka	4.5492
Hong Kong	5.2360	Selling rates supplied by CBA	
India	8.4449	Bank.	

Merchants stick to pessimistic trade forcast

by Peter V O'Brien

THE sectoral responses to the Institute of Economic Research's quarterly survey of business opinion are again the most interesting sections of the publication. While manufacturers and the building industry reported widespread growth in activity for the second successive quarter, merchants remained the most pessimistic of the major groups, again for the second successive quarter.

The services sector reported a "relatively favourable" March quarter both in activity and financial performance.

Both merchants and services expect a lower level of activity in the second quarter of 1979. Manufacturers and builders are "cautiously optimistic" about the current three months period, in spite of 35 per cent of respondents in the last group forecasting a downturn in general business conditions.

The sector responses are, of course, based on the current outlook, and are unable to take account of possible policy changes, particularly in the Budget. They are valuable in that they set a framework of current business confidence, on which future policy developments can be based.

The responses on employment reflect the migration outflow of skilled labour. In the manufacturing and building sector, 20 per cent of respondents, on balance, reported skilled labour harder to attract than three months earlier. The institute says this is "the highest proportion to do so for four and a half years". But it was also found that a net 30 per cent of respondents at March found unskilled labour easier to recruit than at December. While the latter is a relatively high net response it is the lowest 'easier' response recorded in two years.

Between the manufacturers and builders, the institute says "a mood of pessimism continues in the building industry", with responses indicating a continuation of the rapid erosion in business confidence evident in the December survey returns.

The state of the building industry's expectations is set out in this passage:

"Respondents' forecasts are unequivocally pessimistic. On balance, 10 per cent of respondents expect a decline in numbers employed, 30 per cent expect a fall in overtime worked and 35 per cent of respondents forecast output down, on balance. Furthermore, a net 41 per cent of respondents expect new orders to drop and 37 per cent forecast a decline in domestic deliveries. And falls in profitability are forecast to be as widespread as those experienced at March — 31 per cent of respondents on balance, expect a decline."

The stimulation of the economy last year shows up in the responses of the services sector (assurance and insurance, auctioneer and agency and banking and finance).

The institute reports that 30 per cent of respondents, on balance, says services volume is up (a survey record), and 1 per cent reported a profitability increase: "the first positive response since March 1973".

But, on balance, a net 25 per cent of the services sector expect general business conditions to deteriorate during the next six months. "This is in contrast with the 8 per cent forecasting a downturn at December and the net 30 per cent expressing optimism at September".

Since the information was compiled before the rise in Government interest rates it is notable that 31 per cent of financial respondents expected a deterioration in the general business situation in the next six months. A net 29 per cent forecasted an increase in the volume of sales in the next three months and 8 per cent saw an increase in the numbers employed. A net 53 per cent forecast a rise in interest rates in the next year.

The survey is dated April 27, so the data would have been processed before the rise in interest rates on Government securities. It would be interesting to assess the present response to that move as it affects confidence on the part of financial institutions. The June survey should reflect the change, but the actual response will probably depend on the amount of money the Government finally raises from its cash loan and the subsequent savings stock.

The Budget will have been presented by the end of June, and that document could also affect confidence in all sectors. Whether it will be reflected in the results for the June survey is problematical. The September outturn will include the full business assessment of any new Government economic policies.

In terms of company profitability the March survey reverses previous trends, again no doubt in line with the economic stimulation of the period between October, 1977 and the end of 1978. The institute says, in regard to the economy wide result:

"Five per cent of respondents, on balance, report a March quarter fall in profitability. With the exception of the net 3 per cent of respondents reporting a fall at December, this is the least pessimistic response in more than five years. A net 7 per cent of respondents forecast a fall in profitability during the forecast period".

Company results now coming to hand reflect the view for the March quarter (and probably for previous quarters). Whether the pattern will continue is questionable as credit tightens, money becomes more expensive, and a wide range of price changes work through to a reduction in consumer spending power. If the public faces higher, and in some cases, massive, rises in costs for essentials (eg, electricity, fares, and so on) there will be less to spend on the other goods and services provided by the respondents to the institute's survey. That in turn would reduce profitability, in the absence of an ability to reduce company costs by an appropriate offsetting amount.

Inflation is still a major business problem. The institute says that, proportionally, net rises in costs have once more outstripped price rises. "On balance 77 per cent of respondents report costs up compared with 61 per cent reporting higher prices."

The responses for the forecast period "suggest an acceleration in both cost and price rises accompanied by a growth in the divergence between costs and prices. A net 83 per cent of respondents forecast costs will rise compared with the net 6 per cent of respondents forecasting price increases".

The overall result is that the problems remain the same. The only change, and that comparatively minor, is the relative numbers reporting the effect of the problems.

Finance firms present mixed batch of profit figures

by Peter V O'Brien


INVESTOR INSIGHT

THE listed finance companies are reporting a considerable divergence in their 1979 profit figures, even when allowance is made for "recoveries" in some cases from previous years.

BNZ Finance was the first group to issue a preliminary result with a net profit increase of 50.2 per cent over 1978. That figure has to be treated cautiously, because BNZ Finance has had profit problems in recent years. While the 1978 figure of $520,000 was ahead of 1977's $385,000, the former represented a 20.2 per cent return on capital, while the latter was a return of 21.4 per cent. The group's capital increased between 1977 and 1978 as a result of the issue of 778,000 $1 shares to acquire First New Zealand International, the former merchant associate of the Bank of New Zealand. That company is now incorporated in BNZ Finance as its merchant banking arm. (The company has had a cash issue in September, 1978, but that does not affect the earning rate in the 1978 accounts).

This year BNZ Finance earned 24.2 per cent, after allowance for the cash issue, which was in the books for only a few months of the trading period. So the company had a solid profit lift in real terms.

Marac lifted profit 9 per cent, following a rise of about 40 per cent in the previous year. Marac's earning rate on capital for 1978-79 was 31.1 per cent, as against 29.1 per cent in the previous year, and 28 per cent in 1977. Those earnings rates are also affected by share issues during the appropriate accounting periods, but a company is expected to provide a return on its additional capital.

Both BNZ Finance and Marac lifted their dividends 1 per cent, a feature which is likely to be commonplace as the company reporting season gets into top gear.

Then came Broadlands Dominion Group, with a profit lift of 2.5 per cent after a sizeable taxation reduction. The dividend is maintained at 14 per cent (7 cents a share) for the year.

The fourth of the March 31 listed companies to report was UDC Group Holdings (the fifth company on the list is General Finance, which balances later in the year). UDC produced a 40.2 per cent profit increase to follow the massive dollar profit rise in the previous year. When the earning rates are calculated on changing capital the figures were: 1977 - 27.9 per cent; 1978 - 25.1 per cent; 1979 - 22.4 per cent. The group's capital has gone from $4.8 million to $10.8 million at the latest balance date. UDC has yet to return to the earnings level applicable before the substantial cash issues of the last two years.

Attempts to reconcile differences between all these figures are complicated by the different "mix" in the four companies' business. But the market is making its own assessment of the finance sector. Last week the dividend yields were:

Broadlands	5.6 per cent
BNZ Finance	7.8 per cent
Marac	8.6 per cent
UDC	8.4 per cent

General Finance's dividend yield was 9 per cent, but that figure relates to the profit and payment for the 1978 financial year.

Dividend covers were:

Broadlands	1.7
BNZ Finance	1.5
Marac	1.9
UDC	1.8

This year the companies may be under pressure from the rise in interest rates. Finance houses have to maintain a margin between their borrowing and lending rates, but a limit eventually comes on the lending rate if money becomes too expensive for borrowers, who may then decide to defer taking up loans. The companies are now borrowing at 14 per cent (although that is not their overall "average" cost of money, since previous borrowed funds were raised at lower rates), and the margin between that figure for an amount to take care of profit and administration costs would push lending rates towards the 18-20 per cent level if the borrowing rate is maintained for any length of time.

Investors in finance companies have to weigh up those factors, while taking account of the different areas of business in which the groups operate. Broadlands, for example, said in the preliminary report that the finance company had an "excellent year", but that, despite increased sales of land, profit was eroded by the high level of holding costs written off by the land division. There was no statement of how much "increased sales" represents, but the present state of the property market would suggest that the company is holding high "stock" although that must be seen relative to the total business, which had assets of $231 million at balance date. The "land projects" figure declined from $17.8 million in 1978 to $16.7 million in the latest year. The holding costs on projects worth $16.7 million is considerable in terms of the profit and loss account. The property market will eventually come again, and Broadlands clearly adopts the right policy in disposing of the holding costs now, rather than capitalising them in the books in the hope that they will be recouped sometime in the future (shades of Securitibank).

The other companies have lower property interests in comparison with Broadlands, but again their business has different components, both absolutely and proportionately.

Marac holds about half the capital in Cooks New Zealand Wine Co. Ltd. an interest which is unique in the finance sector. The Auckland group also owns a building society which is also unique in the industry. Through AGH Developments Ltd, Marac is engaged in residential land subdivision and industrial development. Thre is also a strong interest in consumer finance.

UDC has a low level of property involvement, and less activity in consumer finance than the other companies, although there is sizeable activity in that field.

UDC's association in a TV rental company is matched by General Finance, but the former has a big concentration in industrial finance.

There is a finance company investment to suit "every need", but the average investor would need to compare dividend yields and covers carefully before making a decision in what could be a tougher year for the sector.

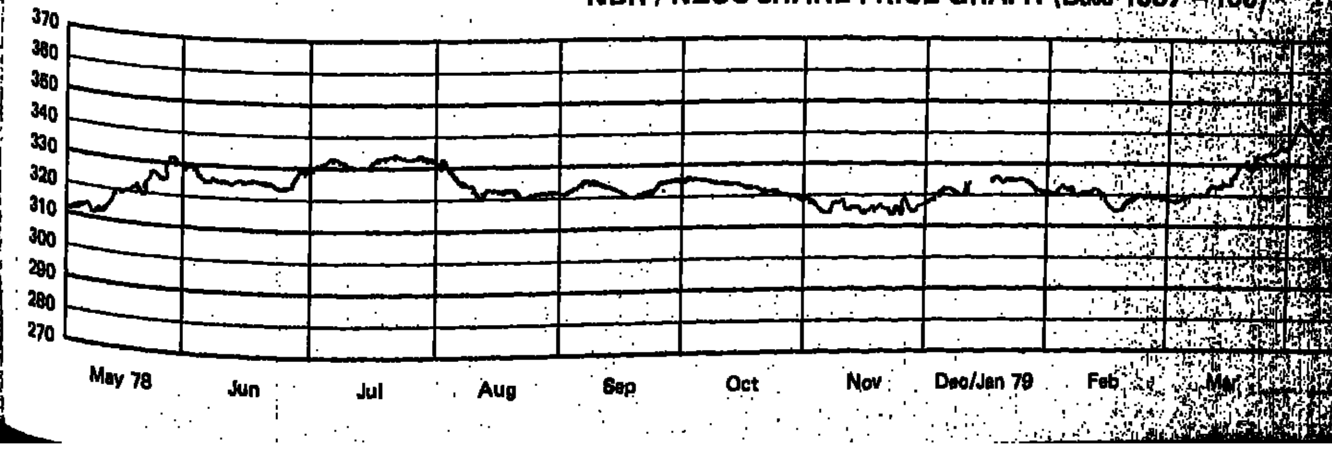
NBR SHAREMARKET SURVEY

WEEK ENDING MAY 17, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Housing Minister wants new finance package

Economics Correspondent

HOUSING Minister Derek Quigley told the National Housing Commission in early May that previous Government policies have produced distortions in the housing market. As Minister, he proposes to adopt a new finance package intended to make best use of all New Zealand's housing resources.

But the Government may not have as much direct control over the development of housing as it might like. And one way of rationalising the housing finance market may be for the Government to play only an indirect role.

The Government now directs the development of housing by setting qualifying restrictions for the money it lends through the Housing Corporation. While the corporation and other Government agencies play a major role in financing new mortgages, they still only account for around a fifth of the value of new mortgages taken out.

Information about housing mortgage registrations is not collected formally. To discover trends in housing finance, Don Burtt, of the New Zealand Institute of Economic Research approximated a long-term series of housing mortgage registrations. The table illustrates his estimation of the proportion of new mortgages financed by different institutions.

The most significant feature is that the largest share of new mortgages have been registered with solicitors.

In the 12 years from 1966 and 1978, between 31 to 36 per cent of housing mortgages have been financed from solicitors' trust funds. The Housing Corporation has consistently provided the next largest share, but there has been a *declining trend* in its *contribution from* 24 per cent in 1966 to a low 16 per cent in 1977.

Other major sources of housing finance include private savings banks, trading banks, trustee savings banks, building societies, insurance companies and finance companies. There are about 16 sources of housing funds.

Burtt suggests that the fragmented market for housing funds could be inhibiting both the growth and the efficient use of housing funds.

It is interesting to compare trends in housing finance here with overseas countries. In the United Kingdom building societies account for about 80 per cent of new housing mortgage registrations, according to Burtt. In Australia savings banks account for about 40 per cent of new mortgages registered, trading banks 30 per cent and building societies about 20 per cent of total housing funds.

Burtt says "The New Zealand position therefore differs significantly from that in overseas countries in that we have a more fragmented market which could be inhibiting both the growth and efficient use of housing funds."

Victoria University's Professor David Sheppard also has found evidence that the present financial market is distorted and made almost unreal by a number of undesirable features, including too many sources of mortgage finance.

In the long run, Sheppard does not believe that the sources of mortgage finance should be as diffused as they are today.

"Worse, the extraordinary spread in market mortgage rates (they range from well over 17 per cent per annum from finance companies to 3 per cent from the Housing

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Corporation) reflects the fact that the market is segmented."

Sheppard's fear is that equity in terms of common treatment for all sources of finance with respect to security ratio requirements (the proportion of deposits financial institutions are required to deposit with the Reserve Bank) and corporate tax laws is absent. "Well established traditional mortgage lenders, the building societies and the trustee savings banks, have less than 20 per cent of the market's business."

The dominant market shares are held by two institutions outside the banking system. Interest rates are subsidised by the Housing Corporation and solicitors are a non-institutional source of finance who provide buyers with short-term first or second mortgages—on average, solicitors' interest rates are at least 14 per cent.

Sheppard is concerned that there is no freely operating buying and selling mechanism which effectively narrows the gap of extraordinary large interest rate differentials.

Traditional institutional lenders which offer house finance at modest rates resort to non-price rationing measures to command a stable source of supply of private savings deposits to lend. As a result, young first home owners with no savings record or those who want to buy an older property in low income urban areas cannot get finance.

Sheppard reminds us that even those buyers who are successful in getting a first mortgage often find they have insufficient finance to buy a given property. A gap of about 30 per cent must be bridged by a second mortgage, often from a different source than the first mortgage and invariably issued at a higher interest cost and on a shorter term. "A market structure like this is not well designed to handle adverse market conditions," he said.

In the long run, Sheppard says the savings banks along with the building societies, should dominate the private mortgage market. He hopes that the share of the non-institutionalised sector of the market, as represented mainly by solicitors, withers away to one or two per cent of total business.

Sheppard makes two suggestions that may lead the housing finance market toward rationalisation.

First, he supports the establishment of a secondary mortgage market.

Secondly, to foster Government recognition of the important role established institutions play, "much will be gained if the existing tax rebate scheme is extended to all forms of medium term (say three years and up) institutional savings placements".

To rationalise housing finance, Burtt suggests that the Government has the option to take a completely new role from its direct involvement through the housing corporation.

The Government could let the market decide how to use available housing finance by channelling funds through existing financial institutions or by establishing a secondary mortgage market. Then lenders of housing finance could freely enter and leave the market by buying and selling mortgage bonds drawn up by a house purchaser.

Government could set up a credit mortgage bank to deal in the secondary mortgage market. A potential house purchaser needing to borrow has mortgage bonds drawn up to cover all necessary finance. The market value of these bonds will reflect the capital value, term rate of interest, the amount of security in the mortgaged property, the borrowers financial circumstances and other relevant criteria. And if the borrower was held responsible for the bonds, rather than the property, the costs of mortgage documentation associated with property transfers would be reduced.

The disadvantage of a secondary mortgage market to the Government, could be that its control over economic objectives would be weakened, mortgage bond money might be used for other purposes and small investors may still find it difficult to get mortgage finance. By far the greatest advantage of the scheme is that it would provide a more stable housing funds market where government could influence economic activity by the buying and selling of mortgage bonds.

NEW MORTGAGE REGISTRATIONS [Percentage]

Year ended March	Housing Corporation & Govt Agencies	Private Savings Banks	Trading Banks	Trustee Savings Banks	Building Societies	Insurance Companies	Finance Companies	Solicitors	Other
1966	24	3		5	13	15	4	31	5
1967	23	2		4	14	13	4	34	5
1968	21	2		4	15	13	5	35	6
1969	20	2		6	15	14	4	33	6
1970	20	2		6	16	12	5	32	6
1971	21	2		7	15	10	5	34	6
1972	17	2		7	13	10	7	38	6
1973	18	4	4	8	11	8	7	34	5
1974	14	3	6	7	12	9	9	36	5
1975	18	4	1	6	10	9	9	38	5
1976	24	5	6	6	6	6	9	34	4
1977	16	4	8	7	8	7	11	36	3
1978	18	7	4	8	8	7	9	36	2

Derived by D B Burtt, New Zealand Institute of Economic Research

Jumbos may pull Air NZ out of nosedive

by John Draper

JUMBO jets may pull Air New Zealand out of its nosedive toward financial disaster and the ignominy of joining the Railways as another Government-owned lame duck.

Cheap fares and inflation are sending the airline plummeting into the red.

Ironically the cause has been Air New Zealand's success. When other operators were reeling under falling profits in the mid 1970s, Air New Zealand flew on unscathed.

And while major airlines like Pan American were staggering under the burden of rising fuel costs and reorganisation, Air New Zealand went from strength to strength.

In 1977 it doubled its 1976 profit to a record $11.675 million.

The success story owed much to the long range DC10 and its greater efficiency over the DC8.

But it is now the DC10 which is threatening Air New Zealand's future.

Subsidies would be bitterly resented by the airline which has prided itself on competiveness, service and profitability.

The Pacific route to Honolulu and Los Angeles has long been the airline's most lucrative. Cheap fare packages designed to fill otherwise empty seats were marketed with particular success in Australia, which the airline views as its natural hinterland.

At its peak, the Australian market filled three 260-seat DC10's of Air New Zealand's 11 flight weekly schedule to Los Angeles. The Australian Government has now excluded the airline from that segment of the market.

When Sir Freddie Laker's Skytrain caught the public imagination, Air New Zealand obliged, with a little Government prodding, to offer budget fares across the Pacific.

But it rarely used its full quota to top up flights as there were more than enough passengers paying higher fares in other categories.

Across the Atlantic, the scheduled carriers flying in the jetstream of Sir Freddie Laker's Skytrain, slashed fares and hit gold.

Half empty aircraft suddenly started paying their way when topped up with budget and standby passengers.

A year on the statistics reveal there was no marked increase in the number of people travelling. But there has been a huge switch from charter carriers, which previously offered the cheapest fare, to scheduled airlines.

Last year Europe bound travellers climbed by only 1.6 per cent over the previous year which had increased 9.6 per cent on 1976. But scheduled airlines increased their share of the market by 39 per cent in 1978 while charter operators dropped 44 per cent.

Across the Pacific there was no such latitude. In 1978 Air New Zealand's flights were averaging a 70 per cent loading factor, in airline terms that means they were flying full most of the year.

Lower fares inevitably meant a lower yield for each flight at a time when costs were rapidly rising.

Compared to the Atlantic, the Pacific is a very thin route. It is also highly seasonal with travellers following the sun. The result is fully loaded aircraft in one direction returning lightly laden. Seasonal fares may help ease the peaks and troughs this year.

Inflation showed up in the airline's profit after interest charges for the year ended March 1978 — a huge drop to $3.3 million from its record in 1977.

Rising fuel costs, which alone are expected to add $12 million to operating costs this year, and continuing inflation are further squeezing net yield.

The warning lights are already flashing. Air New Zealand's finance manager Alan Varcoe says the airline needs to make $20 million as an "adequate return for future planning".

"In the present volatile commercial and fares situation we cannot be completely certain we will finish above the line this year. But that is certainly our intention."

Transport Minister MacLachlan has already prepared the safety net. Recently he told journalists Air New Zealand would use low fares to compete. It needed the rates as a sales gimmick if nothing else to bring the customers in. And if Air New Zealand made a loss while competing, the Government as the shareholder would subsidise the airline.

There is no likelihood that Air New Zealand's international wings will be clipped. The merger with NAC was aimed at giving the international wing strength with a reliable cash flow as well as longer term operating economies.

Overseas exchange earnings also are sufficient to justify Air New Zealand's existence in Hong Kong, Singapore, Los Angeles, Australia, the South Pacific and in the early 1980s, Tokyo.

But to climb back to profitability may mean huge investment in new aircraft several years ahead of schedule. Air New Zealand was hoping McDonnell Douglas would stretch the DC10 to Boeing 747 jumbo size.

A big order is needed to take the project off the drawing board, however Air New Zealand would probably ... need three.

Delivery may be longer tha... the airline can afford to wa... In the interim more se... could be added to the DC1... sacrificing Air New Zealand... reputation for service — ... stronger selling point th... much of its publicity — at ... expense of freight.

Most of the easily ... cheapily accomplish...

AIR NEW ZEALAND . . . hopes DC10 can be stretch... jumbo size.

modifications improving th... DC10's performance ha... already been exploited. Th... long haul routes are ... taking their toll in hi... maintainence.

Now it seems there is ... option to the $50 million ... seater Boeing 747's. Air New Zealand may now be forced to re-equip several years ahead of its mid 1980s schedule.

But a wrong decision ... could be very costly. Air ... staff are keenly watching the cheap fare trend particularly in America where already some carriers are increasing prices again.

The impact of newcomer Continental Airlines to the South Pacific is also ... determinant. Initially, it ... expected to take up to 30 ... cent of the existing mar... But if its promotion of New Zealand in the Americas and west pays off, Air New Zealand may get a spin off through higher demand f... seats.

Art chief fails to fit into municipal machine

by Bute Hewes

IT is hard to imagine that a newspaper without an editor, a play without a producer or an orchestra without a conductor could hope to make good.

Into the same category comes an art gallery without a director. But this is the new status of Auckland's gallery, by common consent the finest in New Zealand, and this is the way Auckland city councillors would like to keep it.

Councillors have a long-standing love-hate relationship with their gallery. They are proud of it as a magnificent civic amenity, yet they are hostile towards professional staff who give it high quality.

They advertise internationally to recruit the best art gallery administrators they can get, and then they make them so unwelcome that they have to go.

That is what happened to the latest in a succession of directors, Ernest Smith, who resigned this month, unable to continue working amid such hostility.

It happened in 1973 to his predecessor, a brilliant American named Richard Teller Hirsch, and it took councillors a long time to live down the bad taste left by their mishandling of what became known as the Hirsch affair.

It is a management problem that arises because art galleries and their staffs do not fit into the conventional pattern of municipal activity.

They are not as simple as drainage, street lighting and garbage collection, all of which councils understand.

Art is an intangible commodity, built on dreams. Artists throughout history have been recognised as unlike ordinary mortals, and art administrators are of the same ilk.

So when a first-class art gallery administrator is captured from overseas, the delight of his new bosses turns to dismay when they discover he is not at all what they expect of an orthodox council officer.

He is a creative thinker, totally involved in enthusiasm for his work. His job is to communicate his enthusiasm to the general public, to attract them into his gallery and encourage them to enjoy what they see there.

Lesser matters, such as writing dry and formal reports or attending tedious committee meetings of councillors who are not very interested anyway, tend to take second place.

But these lesser matters are the very ones that are so

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important in a municipal hierarchy. A gallery director who gives them low priority, they begin to think, lacks the administrative qualities they look for.

It could be solved simply by recognising that art gallery people have to be different from the ordinary run of public servants, and putting in an administrative assistant to handle the mundane matters.

That way, housekeeping tasks — preparing budgets and duty-rosters, recruiting maintenance men and cleaners and so on — could be well looked after, leaving the director free to concentrate on his professional job.

But that is not the way councillors see it. They demand that all these details should come first, and should be the direct responsibility of the top man.

If he shows the slightest sign of reluctance, either because he resents having his attention distracted or because his academic training has simply not included such trivia, he is marked down as a poor administrator.

It is a problem, based on a misconception of what an art administrator should be, that has existed in galleries all over the world, in theatres, opera houses, film studios and indeed in any sphere which depends on creativity. It exists in television too — at least, in New Zealand.

Most other countries have been shrewd enough to identify the problem and solve it by separating housekeeping from direction. But New Zealand has still to learn this.

Here, the trouble is compounded because public galleries are usually part of a municipal machine and are expected to be an obedient cog, conforming to all other departments.

Major overseas galleries are usually independently run, often receiving financial contributions from city councils, but otherwise outside them, controlled instead by trustees who know and care about art galleries.

A new board of management along these lines has been suggested in Auckland as a way of solving once and for all the difficulties that have plagued its gallery.

Even so, this goes only halfway to a solution. Because the city council provides the full finance, it would load a board with councillors, outnumbering any new trustees with real understanding of the gallery.

But a more attractive proposition to councillors is that they should abolish the gallery director altogether and put in a manager concerned just with housekeeping.

His main duty would be to open the gallery doors on time each morning and close them again each night, making sure the lights were out before he went home.

That is the way art galleries used to be before councils began to learn that there was rather more than that to presenting exhibitions that would attract the public in.

A good director, for instance, has personal contacts with prestige galleries throughout the world, and he uses these to obtain the loan of priceless works no New Zealand gallery could afford for itself.

Ernest Smith did this, patiently working for two years to bring together a major exhibition of works by the great South Pacific painter Paul Gaugin, borrowed from the Louvre and other European and American collections.

When he presented his complete plan to a council committee this month, it was turned down flat. Councillors were simply not sufficiently interested.

Besides, they had more important things on their minds — ways and means to get rid of the director and replace him with a non-professional manager who would be cheaper and more in line with their ideas of what a council officer should be.

It was the final straw for a man weary of fighting a losing battle against people to whom the art gallery was just another municipal department like drains, street lighting and garbage collection. His resignation went in, and was accepted with almost indecent haste.

"The top priority is art and professionalism, and everything else is just politics," he remarked as he left the committee meeting.

"It's a question of getting the priorities right, and it's a miracle that I have been able to survive five years as director."

If the Auckland City Art Gallery can survive a further five years this time without a director and without wasting away into a dusty, forgotten white elephant, that will be another miracle.

Galleries

by Peter Cape

Auckland City Art Gallery: New Zealand Survey.

John Leech, Auckland: Harold Coop landscape paintings.

New Vision, Auckland: John Papas ceramic wall works.

Waikato Art Museum, Hamilton: Rangimarie Hetet and Diggeress to Kanawa traditional Maori *weaving*.

Waikato Society of Arts: Waikato Women artists.

Gisborne Museum and Arts Centre: Ormond Arts' awards.

Pofflatt, Thames: Susan Artner ceramic sculptures.

Govett-Brewster, New Plymouth: Vasarely and his contemporaries.

Sarjeant, Wanganui: New Zealand landscape.

Hastings Cultural Centre: Tony Kuepfer glass; George Kojis pots.

Hawke's Bay Art Gallery and Museum: Shona Macfarlane retrospective.

Dowse, Lower Hutt: Diane Arbus, photographs.

Galerie Legard, Wellington: John Parker paintings.

Wellington Settlement: Zela Charlton and Alan Charlton paintings.

Suter, Nelson: Nelson Independent Artists.

Canterbury Society of Arts: CSA Autumn; Student's Art Festival; Edith Wall paintings; Halswell potters.

McDougall, Christchurch; Carl Sydow memorial exhibition.

Otago Art Society: paintings on a marine theme.

Advertisers consider TV2 boycott

TELEVISION advertisers are in a state of revolt following the restructuring decision that will give SPTV all regional ads and make TV1 a network only channel.

Adding to the advertisers' ire is the recently announced rate increases by SPTV which boost Auckland regional rates by more than 30 per cent.

The Association of New Zealand Advertisers is preparing a case against the decision. The Motion Picture Distributors Association has already laid a complaint with the Minister of Broadcasting, Hugh Templeton and the television hierarchy.

There has been talk among members of the Grocery Manufacturers' Federation of boycotting SPTV if the decision is not modified.

The storm broke when TV1's controller of sales and marketing, Richard L'Estrange, wrote to advertising agencies telling them formally what informed insiders had known for months, that from June 30, TV1 would withdraw from regional advertising.

This will, if the advertisers go along with the plan, give TV1's poor rated cousin, SPTV about $3 million additional revenue from regional ads, shifted over from TV1.

Regional advertisers would have no choice in future but to place their ads at increased rates with SPTV.

SPTV's audience share is best in Auckland where it also enjoys the greatest support from advertisers. SPTV's Auckland regional ad spots are well booked already.

So the extra regional advertising coming to SPTV will have to come from outside Auckland where SPTV's audience share is dwarfed by TV1's. *And this* is the point *worrying* the advertisers.

Another part of the rationalisation programme for television is to strengthen SPTV's regional programming and audience support. This may in time, make SPTV an attractive media buy in Wellington or Christchurch. But advertisers complain they are being forced to SPTV before its new regional emphasis has proved itself in the ratings.

SPTV's new monopoly on regional ads, advertisers complain, curtails competition and reduces past flexibility in media buying. Here the motion picture industry is a case in point.

With the exception of the big blockbuster movies such as "Grease" or "Star Wars" which are released simultaneously throughout the country, movies are released regionally. They shift from town to town when audiences fall off. Thus the movie advertiser needs regional advertising and he needs access at short notice.

The Motion Picture Distributors' Association wrote to Ian Cross complaining that they would be denied access to regional advertising on TV1.

They pointed out that many movies have a specific target audience and in buying television time it was desirable to achieve compatibility between television viewers and those member of the public to whom they wished to advertise a film. That is, an ad for "Grease" would have better effect if it were slotted into a television spot next to a rock and roll show than during a debate on economics.

The motion picture distributors predicted that the one channel regional situation would make it harder to book ads at short notice. Also as SPTV's coverage is incomplete some rural areas would be missed out and small cinemas would suffer a loss of business they said.

"With films generally opening over a weekend, the access to Friday advertising is also a very important part of our advertising strategy," they added.

The Motion Picture Distributors' Association got wind of the proposed changes in television last month and sent a telegram to Hugh Templeton asking for clarification. Templeton replied on April 11 claiming he "was unaware of pending changes" and suggested the matter be taken up with the corporation.

Regional retail advertisers will be the group most affected by the changes. The national advertiser will have access to TV1. But this access will be denied to a smaller company wishing to advertise only in his own region.

In areas outside Auckland, the regionally based retailer will have to put up with SPTV's low audience share or shift his ads out of television to radio or the press.

In Auckland, SPTV is unlikely to have regional time available to meet the demand for retail ads.

Still, the rationalisation makes sense from a dollars and cents point of view — so far as broadcasting is concerned anyway.

Each channel can specialise. TV1 can shut down its regional advertising departments, thus eliminating the duplication of services.

SPTV's major advertising and audience support is in Auckland. SPTV draws about one third of its $20 million a year ad revenue from regional retail ads.

But SPTV is poorly supported outside Auckland. This means that SPTV can fill its ad slots with regional ads in Auckland but not in Wellington, Dunedin and Christchurch. As the television screens can't be left blank, SPTV has been screening "freebees" for its favoured clients in regions outside Auckland to fill the gaps left by poor support.

If regional advertisers can be forced to use SPTV these freebee spots can be filled with paid ads.

Outside Auckland, advertisers and audiences support TV1. The channel draws only about 10 per cent of its $30 million ad revenue from regional ads.

According to L'Estrange's letter: "It has become apparent that the pressure of network buying on TV1 was increasingly inhibiting our ability to provide advertisers with regional time especially in peak. When regional time has been made available it has created an imbalance between the regions with the result that we have been compelled to fill to the detriment of our revenue. Increasingly we have been forced to restrict the availability of regional time."

Advertisers complain that SPTV's massive rate increases stem from its new monopolistic position. But SPTV's new rates for the most part reflect the cost effectiveness of the advertising time bought.

In Auckland region where SPTV has its support ad rates were increased by an average 35 per cent. In Wellington and Palmerston North, where TV1 grabs most of the audience share, SPTV's rate increases were down to an average 3 per cent.

Still regional retail advertisers are far from happy with the new set up. One retailer said: "We are being asked to subsidise one huge experiment."

There is talk of a boycott of SPTV's regional ads. This talk is strongest among the food manufacturers who provide a huge block of advertising revenue.

The newspapers are not unaware of television's new unpopularity and admen report that some newspaper groups are sweetening their deals to lure advertisers away from television.

ADMARK

Radio carve-up

THE February-April BCNZ national radio survey contains an interesting new category of listeners. In place of the old listing of "housewives", and making a bow in the direction of eliminating sex discrimination, we have "household shoppers", being those persons, housewives or househusbands, who do the majority of shopping for the home.

As previously reported in Admark, it was planned to conduct this and future surveys over a 12 week period. On this occasion, Auckland research was compressed into a nine week time scale in order to avoid the inclusion of Radio Pacific's opening weeks of operation.

In Auckland, the position shows little or no change but obviously Pacific's advent must result in some stirring of the pot. In the meantime, a look at the 20-plus age group, Monday-Friday, shows percentage shares as follows:

	6am-9am	6am-midnight
1ZB	30	35
1ZM	4	5
1XA	26	29
1XI	11	11

In Hamilton, the neck and neck struggle between Radio New Zealand's 1ZH and private radio 1XW - Radio Waikato - continues. Although in the 20-plus group, Monday-Friday, 1ZH has a cigarette paper thin lead—37 to 35 per cent in the breakfast session and 38 to 37 per cent in the 6 a m -midnight sweep, the differences are insignificant and probably within the survey's margin of error.

The Wellington results have an extra spice of interest in view of the fact that Radio Windy recently announced the findings from a specially commissioned McNair survey (Admark, April 24). The major findings appear to correlate fairly closely. For the 10-plus age group, Monday-Sunday, McNair shows shares at ZB, 33 per cent; Windy, 30 per cent; ZM, 14 per cent. BCNZ's comparable figures but for Monday-Friday are ZB, 33 per cent; Windy, 28 per cent; ZM, 15 per cent.

Figures are, however, one thing and their presentation another. Windy has strength in the 10-34 age group and is particularly dominant in the 10-14, 15-19, 20-24 groups, so consequently, prefers a presentation which deals with the 10 pluses and includes weekends. The greater strength of the ZB stations lies in those of 35 years and more, so the 20-plus tables are preferred and the selling emphasis is on the adult market reach and this includes the "affluent fifty-niner". (And presumably the one year older class of national superannuitants who didn't get a mention).

In any event, the BCNZ survey confirms the sharp improvement in Windy ratings and for 20-plus the Monday-Friday percentage shares are these:

	6am-9am	6am-midnight
2ZB	39	35
2ZM	8	11
2XW	18	22

Christchurch was also the scene of a dramatic turn of events. The local ZB station which in the previous survey could claim supremacy only in the 55-plus area suddenly found new strength and even 3ZM increased its share. As a result, Avon which formerly was undisputed champion, is now merely the front runner. In the 10-plus area, week-days, it has a comfortable 39 per cent share but in 20-plus classifications it has its nose only just in front, as follows:

	6am-9am	6am-midnight
3ZB	35	33
3ZM	4	6
3XA	35	36

Dunedin still engages in healthy competiton and there is little change in the situation. The survey reports this for the 20-plus, Monday-Friday:

	6am-9am	6am-midnight
4ZB	44	42
4XO	35	36

As could be expected, the household shoppers figures conform fairly closely to the 20-plus shares.

Radio survey shock result

THE first BCNZ radio survey to cover the entry of Radio Pacific into the Auckland market (April 7 - May 4) contains a wallop of surprises for users of commercial radio.

Where the advent of Radio Pacific caused only a minor ripple, support for Radio Hauraki ebbed away and a tide of approval swept 1ZM into a new and more competitive position. The percentage shares tell the story. For comparison we have included share figures from the previous survey in brackets. This table covers the 20 plus age group, Monday-Friday.

It also appears that while ZB may have lost some of its older listeners, both ZB and ZM have made considerable gains in the 15-34 demographic category at the expense of Hauraki and, to a degree, Radio I.

These results have broadcasters scratching their heads and no clear explanation has yet emerged. It is true that for technical reasons 1ZM is now putting out a better signal, that it received considerable media exposure during April, that, possibly owing to public holidays, there was more listening and probably more station sampling in April, and that trend was accelerated by the arrival of Pacific. But these are all theories, subject to validation. The facts show simply that while five commerical stations compete for audience, change in share is likely to become the rule rather than the exception.

	6 a m - 9 a m	6 a.m - midnight
1ZB	38 (39)	34 (35)
1ZM	11 (4)	11 (5)
1XA (Hauraki)	18 (26)	10 (29)
1XI	8 (11)	11 (11)
1XP (Pacific)	2 (-)	4 (-)

The shares for the 10 plus age group over 6 a.m.-midnight are even more favourable to ZM with a share of 17 compared with Hauraki's 20, showing that it has taken younger listeners away from Hauraki.

A spoonful of sugar helps the wine go down

by Frank Thorpy

THE New Zealand Wine Institute has just released its Industry Study and Development Plan 1978 which is carefully edited to present the better side of the industry to politicians and leading Government officials. And perhaps it is the best and most informative study produced on the present wine situation. Wine expert Frank Thorpy takes a close read of it and shows that the institute pays scant attention to its only customer — the consumer.

THE National Wine Institute is calling for alteration to the Food and Drug Regulations — it is asking for drastic changes which could only act to the detriment of that consumer.

Under the current Food and Drug Regulations 1973, sugar may be added in a proportion of not more than a kilo to every five litres of juice, and no added water is permitted. These regulations are constantly being breached, and now the institute wishes to regularise the situation.

Figures for sugar usage are now dropped from the yearly statistical production figures of the wine industry. The last published figures showed that a little under a kilo of sugar was used for every 2.25 litres of wine produced, an amazing figure which raises eyebrows in practically every winemaking country in the world.

With the better grapes planted over the past four years and a higher degree of responsibility in the industry, this figure is believed to have dropped considerably.

The institute's own figures or estimates of the 1975 usage show that the total usage then was 1.5 kilos per five litres — 50 per cent higher than the regulations permit, but it is thought the figure has dropped

Now the institute wants to simplify the regulations by abolishing reference to sugar and water, and stating that ordinary wine should not contain less than 75 per cent juice—in other words, the other 25 per cent or more may be made up by sugar, water, sultanas or any other additive that comes to mind.

If any wine is described by words such as export, premium, private bins, or any other words which imply a higher quality, it is intended that it be made from a minimum of 97 per cent grape juice. It would contain no water, apart from a maximum of 3 per cent to allow for the preparation of finings and other permitted additives.

It is proposed that sugar usage be restricted, and if needed, maximised at an amount which would increase the alcohol content by 3 per cent.

As 1.8 kilos of sugar will raise alcohol content by one degree, this could represent a lot of sugar.

These regulations, if implemented, would rebound to the detriment of the New Zealand wine industry.

First, any given amount of grape juice produces a much lower volume of wine, for the fermentation process basically turns the sugar content into alcohol and carbon dioxide. The gas, a considerable volume, is dissipated into the air, and therefore these two figures, 75 per cent and 97 per cent grape juice, would permit a much larger volume of additives than generally assumed.

Despite affirmations that this percentage would not apply to our premium export wines, the 75 per cent figure of grape juice only in a New Zealand wine would be eagerly used by competitors in the markets to which we hope to export.

Over the past few years, the quality of wine has improved, and indeed testimony from the DSIR shows that less and less additives are being used, thanks to the stiffer Food and Drug Regulations now in force.

The present regulations seem fair enough, experts agree, though sugar for added sweetness should not be added after the wine is made. No one could cavil at allowing 3 per cent water for the preparation of finings and other permitted additives.

Do the proposed new regulations permit the addition of concentrated grape sugar?

Many wine purists would rather see Australian grape sugar added in preference to Fijian or Cuban sugar.

Judging from the institute's projections, it would seem a long time before sufficient grapes are available in New Zealand to make concentrated grape sugar here.

The proposed new regulations have not yet been circulated for comment, but hopefully the wellbeing of the consumer, not the winemaker, will be paramount when promulgated.

Projection forgets consumer resistance

NOT all experts, including some wine companies, are as, optimistic as the Wine Institute in projecting a mass consumption figure of 15.8 litres a head in the 1980s.

The figure is a linear regression of the pattern established at present, and does not take into account factors such as the increasing resistance to higher prices.

The dream of the consumer's bottle of New Zealand wine on the table every night fades slightly when prices of wines with lower alcoholic content (that is, not over sugared) are now in the region of $3.50 to $4.50 a bottle.

Rothmans, which controls Corbans, in announcing it is allowing its takeover bid for Cooks Winery to lapse, says it believes Cooks version of consumption of wines in the future and the drift to white, (thoughts basically in line with those of the Wine Institute) is not in accordance with its thinking, and others share that view.

Based again on linear regression, the institute claims that 91 per cent of the wines consumed in the 1980s will be white.

Undoubtedly there has been a swing to white wines in the United States, Australia, and now New Zealand, but there are signs that the trend is slowly losing ground in the first two, as consumers begin to appreciate the complexity and the nuances of flavour present in red wines to a far greater extent than in white.

Consumption of dry red wines is shown as representing 25 per cent of the total in 1975-6, and 8.7 per cent in 1985-1986. The percentage has been dropping, but where does the ordinary man in the street get an opportunity of drinking one of New Zealand's better reds?

A Cabernet Sauvignon, first made in 1965 and acclaimed by many experts, both here and overseas as the best wine New Zealand has ever produced, 14 years later is in short supply every year, is on allocation, and generally is not available to the ordinary consumer.

Tables of the number of vines planted in 1975 (the last summary published) show that the leading mature red vines (5 years and over) planted were Seibel 5455, followed in order by Pinotage, Seibel 5437, Albany Surprise, and the Cabernet varieties.

The Seibels of course, are hybrids, the Pinotage is a vinifera cross of uncertain ancestry planted only here and in South Africa, whilst most growers would deny making red wine out of Albany Surprise, such is its reputation.

Though the percentage of quality red grape varieties such as Pinot Noir and Cabernet Sauvignon has increased enormously since that time, for the man in the street, the red wine he has been drinking over the past few years has been made from hybrids and other grapes of lesser repute.

No wonder he does not drink red wine to the same extent as his contemporaries in Europe.

With the potential of better reds now maturing or coming on to the market, it would be a bold man who would predict that 91 per cent of the wine to be drunk in New Zealand in the 1980s will be white.

Similarly the Wine Institute predicates a drop in sales of sparkling wines. The lowest possible quality of grapes at present is going into sparkling wines and the consumer is calling a halt.

As the better vines planted come into fruition, and if some find their way into sparkling wines, thus improving the quality, so will the demand rise.

Institute uses grape cost to justify price rises

by Frank Thorpy

THERE is a plea going out for industry tariff protection from the New Zealand Wine Institute, which has produced some astounding figures to bolster its case.

In the market, Riesling-Sylvaner wines have increased in price from an average private trade price of $1.68 in 1973 to $4.12 in 1978, while similar Australian wines here have increased from $3.02 to $4.37.

Based on cost, insurance and freight, a very considerable item, French table wine prices have increased from $2.38 to $3.41, German from $1.47 to $2.64, Spanish sherry from $1.78 to $2.98.

In approximately the same period, New Zealand prices have increased by 145.2 per cent while imported prices have gone up by an average of 34 per cent.

Why?

The winemaker will point out that he pays more for his grapes from contract growers than almost anywhere in the world, with the possible exception of the Champagne district of France where the vines are virtually manicured.

According to the institute, the average price paid for 1979 wine grapes in the Gisborne area, the largest centre, was $358 a tonne. The average price paid to Californian growers for the vintage in 1978 was $221 a tonne, and the suggested minimum price for South Australian grapes works out at $178 a tonne, with lower prices from the irrigated areas.

MORE stringent import controls and higher tariffs on imported wines are asked for in the recent Wine Institute report, and human nature being what it is, one could perhaps visualise a return to the days when unscrupulous winemakers made wine out of grape skins, sugar, acids and water, or to the labelling of New Zealand wine as "Grape and Sugar Wine" as did an Australian witness in evidence before the Royal Commission on Licensing in 1946.

Prices from contract growers which are much higher than the cost of the same grapes grown by the winemaker on his own land, are a result of the hot house conditions engendered by the import restrictions and the wine boom of a few years ago.

WINEMANSHIP

During that period, two large Auckland winemakers, seeking more grapes than they were prepared to grow for themselves, approached farmers in the lush Gisborne area who had been growing mostly crops for canning processors.

The growers were offered a price sufficiently good to induce them to change their land to vinegrowing.

Because of the artificial boom engendered by the growth in wine consumption, and the severe import restrictions, other winemakers then approached the Gisborne grape growers and offered them higher prices.

And so the merry-go-round went on with the growers in the box seat, and the consumer saddled with the costs of paying today's high prices for grapes.

Is it right that because of a cost-plus system caused by the winemakers' own actions that consumers should be forced to pay an artificially high threshold customs duty to allow these same people off the hook?

And how will our Nafta and EEC trading partners view the cry for more agricultural protectionism.

The institute assesses its land requirements as a further 4000 hectares, which would increase total land usage for viticulture to 7000 ha in the early 1980s, and suggests a consumption of wine per capita of 15.8 litres in the future, at present 10.8 litres.

Should the estimated 4000ha actually be planted:

For instance, is it right that grape vines which will do well in almost any kind of soil (but not in some climatic conditions) be planted in fertile, high-yield lowlands such as in Gisborne where other export crops could flourish?

The supply of high-class fertile land is limited in New Zealand, but there are plenty of less fertile areas available for vines, admittedly not as high yielding and requiring more intensive labour, but capable of producing wines of perhaps greater distinction.

Insurance firms form united front

FORTY-two life insurance companies in Australia have joined to form a new national life insurance body. The Life Offices' Association of Australia, and the Association of Independent Life Offices disbanded on April 30. They then combined with other life offices to form the new Life Insurance Federation of Australia.

The new organisation embraces mutual and non-mutual companies, re-insurers, and foreign-based as well as Australian companies.

Undoubtedly one of the prime causes for the emergence of the LIFA is the increasing impact that Government initiatives have had upon Australian life insurance in recent years.

In the face of the recommendations of the Australian Law Reform Commission on Insurance, and the decisions of the Australian Trade Practices Commission on restrictive marketing agreements, life insurance companies felt the need for a united front in their dealings with State and Federal Governments.

Advantage of inflation

YOUR economics correspondent (April 24) quoted the usual figures on inflation. Although figures of that nature have been bandied about for several years, they are of little relevance in a serious economic discussion.

First: If one considers how the CPI is calculated (Year Book, 1975, page 1039), one readily sees that for many of us there could be a doubling in prices of articles that make up 50 per cent of the CPI without any increase in our cost of living. To treat the CPI as a reliable measure of the cost of living for everyone and to adjust wages accordingly means that gross wages are adjusted upwards at a faster rate than the cost of living is increasing for many people. For large numbers, wage increases commensurate with the increase in the CPI confer greater purchasing power from current income.

Second: Assume that the CPI is an accurate indicator of a person's cost of living. In many cases it is then in that person's interest to push for inflation.

For easy arithmetic, say a man's gross wages are $100 a week; PAYE is $10; and he is spending $40 in paying off a mortgage. That leaves him $50 to live on.

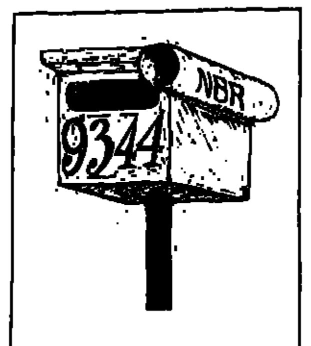
Now assume a 10 per cent increase in the CPI and also in gross wages. A 10 per cent increase in gross wages will give an 8 per cent increase in take-home pay, say. The new position is that our hypothetical case has a take-home pay of $97 and after paying $40 in mortgage repayments, he now has $57 to live on, that is, to compensate for a 10 per cent increase in the cost of living, he has a 14 per cent increase in the sum remaining after taxes and fixed expenses are deducted.

The argument can be generalised as follows: If there is a p per cent increase in the cost of living and a man's wages are increased by p per cent, take-home pay will increase by a smaller percentage, say q per cent.

If a man's fixed expenses are greater than the fraction (p-q) p of take-home pay, he will gain in purchasing power from a p per cent increase in gross wages to compensate for a p per cent increase in those costs that are not fixed.

This note has not gone fully into the problem, but it has drawn attention to a facet almost universally ignored. Instead of appealing to workers to fight inflation when inflation is often manifestly to their advantage, we should try to make fixed expenses so low that they would have some incentive to better themselves financially by reducing prices instead of raising them.

C T Reid
Papatoetoe.



LETTERS

Chapman disengages

So you don't know how to take George Chapman's dominion council speech! As a sheep strayed from the fold of National doctrine some of us never left? Or a strayed python — remembering his ferocious attacks on "dissidents" during the general election?

Chapman's dominion council speech recapitulated almost word for word objects 7 to 9 of the NZ National Party which, for the sake of those who still can't get their copies of rule books, I shall repeat: "To encourage the growth of private enterprise with healthy competition and to promote individual ownership...to encourage individual effort and initiative, thrift, self-reliance and efficiency...to encourage the sound economic growth of the nation."

But what about object 11 on the rule of law — a main bone of contention in the election and cause of numerous electorate splits?

Or object 3 on "freedom, tolerance and justice", which to those who still find themselves outside the party has a somewhat wry note?

It is worth remembering that the call to the party leadership to return to the principles for which the National Party was founded was first made last July by the so-called "rebels" of the Albany Petition Group. It was echoed in East Coast Bays, Pakuranga, Tamaki, Wallace and elsewhere and repeated on election night by Sir John Marshall.

Mr Chapman's restatement of a restatement contains the confession of a man who has disengaged himself from the wreck of an express train going in the opposite direction in time to catch the last bus home. We hope that by saying he is "going to grapple with the real issues of the day" he means what he says.

Ned Halliburton
Publicity Officer
Association for the Survival of Enterprise in New Zealand

Monetary riddles

I REFER to the article in NBR May 2 of Air New Zealand's Mr Beresford's answer to the profitability of the airline's international operations.

His method of using charts and monetary riddles is characteristic of a Government department when their empire is threatened.

The hierarchy of Air New Zealand, along with Civil Aviation and Transport have been able to wield tremendous power with little regard to evaluation, and with the help of its client Tourist and Publicity division, to compile and release information on passenger loadings etc suitable for their own needs, to politicians, airport authorities and the public. Consequently the airline has gained tremendous Government funding for costly aircraft and airport development.

Mr Beresford claims that the international arm of the airline earns foreign exchange when in fact it is responsible for over half of the invisibles deficit caused by New Zealanders travelling abroad and has serious consequences to the economy of New Zealand.

"Boeings" use 3600 litres of fuel on trunk routes which is more than the Silver Fern uses and when Air New Zealand says its internal and overseas best revenue is earned during school holidays, surely we must ask ourselves, can we keep on using aviation for luxury travel? How much can the shareholder, which is the taxpayer endure when even the big airlines of the world are fighting for survival? Competition will get tougher as the cost of fuel becomes prohibitive combined with staff demands and less Government funding. And when Air New Zealand really caters for New Zealanders on long hauls and provides champagne breakfast and can have a comfortable bed across the empty seats surely we must look at aviation as a whole and decide our priorities.

T. Davis
Wellington

Who needs enemies?

THE spokesman on women has no comment to make on the abortion issue.

With a friend like Mr McLay on their side — our girls certainly don't need any enemies.

James H. Bridges
East Coast Bays
Auckland

Electricity: political paw[n]

YOUR staff writer, [...] Berryman, has written [a] good article in your [...] issue about the supp[ly] electricity gener[ating] capacity, but he is not [...] in attributing the entire [...] for the over-estimati[on of] demand to the New Ze[aland] Electricity Department.

As a member for 10 ye[ars of] the committee to review [...] requirements, on [...] estimates the constr[uction] programme is b[ased] I do have factual [know]ledge of the position. [The] committee comprised [the] general manager of the [New] Zealand Electricity De[part]ment, a Treasury repr[esen]tative, the Govern[ment] Statistician and a repr[esen]tative of the [...] authorities. The comm[ittee] has the five-yearly forecast [of] load growth from the [...] authorities, and the Go[vern]ment Statistician make[s an] independent assessment [based] on different criteria, for [...] year forecast. The fi[ve-]year forecast is based [on a] wide accumulation [of] background knowledge [...] lapse of time between [...] drawing board and [...] production can be six to [...] years for a thermal station [and] 10 to 12 years for a [...] station.

Had the predictions of [the] National Development [Con]ference of 1969 been rea[lised] and had the economy [con]tinued on an even keel [we] would have needed ev[ery] kilowatt of power [...] available. A great deal of [...] service is given to the ne[ed for] further processing of primary produce before [...] exported, restructuring [...] the fashionable term [...] intend to meet any [...] targets set out by the [New] Zealand Planning Council [...] first requisite is an adeq[uate] supply of electricity.

There were two events [the] committee to review [...] requirements could [not] foresee. Firstly, the [...] increase in the price of [oil in] 1973. Secondly, the elect[ion in] 1975 of an inept Gover[nment] with a depression [...] Two of its most [...] records directly relat[ed to] electricity consumption [are] the flood of emigrants [—] the first time in our history [we] have recorded a net lo[ss of] population; and an arm[y of] unemployed. In a depr[essed] economy, together with [...] tariff increases and [an in]tensive "save energy" [cam]paign aimed primarily [at] electricity consumer[s, a] slump in electricity [con]sumption was inevitable.

To my knowledge [New] Zealand is the only coun[try in] the world where electric[ity is] allowed to be used [as a] political pawn. The prom[ise of] cheaper electricity to [...] industries just prior to [the] election was an [...] political bribe. The [...] increase in the bulk [...] tariff from May 1 is [...] derhand method of col[lecting] more taxation. In his [...] statement announcing [the] increase, Mr Muldoon [said] that the increase would [reduce] the budget deficit for the [...] 80 year by $137,000,0[00 ...] latest increase is [...] unrelated to the co[st of] producing electricity.

Because of the impondera[ble] factors I have mentioned [it] may be wise to transfe[r the] forecasting of future [elec]tricity requirements [to the] Commission for the Fu[ture.] The answer may be fou[nd in a] crystal ball.

D J [...]
W[...]

Conference preview: supply heads issue list

by Peter Isaac

PLASTICS Institute of New Zealand conference delegates are expected to spend a lot of discussion time worrying about the supply problem.

Over the last six months the prices of whole ranges of raw materials have more than doubled. High impact polystyrene that sold for $850 a tonne this time last year, now sells for $1500 to $1600. Polyethylene which sold for $650 - $700 is now closer to $1500.

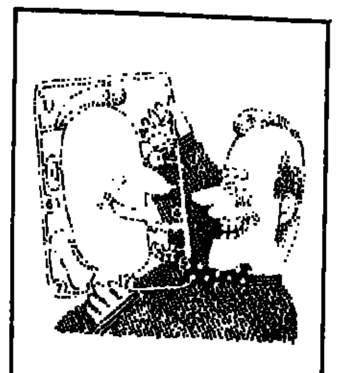
The industry knew that feedstock prices were going to rise several years ago. The huge demand for a lead substitute for petrol used in the United States had long made this evident.

Something like 30 million tonnes of additional aromatics has been diverted to the United States and thrown plastics industry planning out.

A ship carrying benzene from the United States to Rotterdam was recently turned back outside Rotterdam because of the huge jump in benzene prices in a matter of weeks.

The United States anti-pollution measures would have created a substantial increase in prices anyway. But nobody bargained for the revolution in Iran which threw a further strain on supplies.

While the industry can discuss the problem, there is little that can be done in New Zealand. Even the question of local processing does not arise because the shortage is in the basic feedstock.


NZ PLASTICS

Members will be questioning supply house representatives very closely however, in a bid to find out what the future holds. Though the supply houses are not likely to be able to offer anything very firm, there is some doubt now about just how valid are contracts. Some supply houses are warning clients not to plan too definitely against firm contracts — the supply may just not be there.

The conference has never before had quite so much to discuss. Expected topics include:

- Economic forecasts of where the plastics industry is going in the report of the Forward Planning Committee chaired by John Mason, general manager of Winstone Plastics.
- Import control developments as the institute lobbies Government using the employment potential as an argument to reduce tariff walls.
- Trade and Industry Department industry-wide studies which have been questioned by institute members, who say the plastics industry is not an industry in isolation. It is an integral part of a whole range of other industries — such as the building and the packaging industry, not to mention the toy or kitchenware industry.

In the past, delegates have been doubtful about the overall value of these surveys which seek to strike a computational balance of the industry's worth to the nation as a whole, and to work out in which way the industry is heading.

- Film manufacturing, which is heading upwards thanks to an increased realisation at many levels that only through boosting the value of the animal carcase through selective portioning will New Zealand really boost its overseas earnings in the short and the long-term.
- Return on investment, especially on plant. The industry is closely allied with the consumer market, and the market's stagnation is particularly worrying. Three years ago, the industry was limbering up for the long production runs it needed to effect economies when at the end of 1977 there was a sudden dip in the value of the order book.
- Several supply houses are naturally trying to interest the industry in a substantial investment in process control — but there will be much wariness of this type of investment while the market looks so uncertain.
- The proposed polymerising plant scheduled for the Whangarei area may come out from cold storage at the end of a Government-sponsored moratorium. It is unlikely that passions will run quite so high as when it was first discussed several years since the ground rules have changed.
- Transport costs — to a very large extent the industry's export market has been built up through reasonably priced air freight commodity rates. There are strong inklings that these freight rates could head skyward. By the same token, the industry is worried about road transport rates, and they will be listening to Road Transport Association president Bob Martin very carefully during the speaking sessions.
- The industry will be carefully presenting its actual contribution to the nation's export drive separating out the actual returns from the imported content. So far, indications are promising that the industry will reveal greatly enhanced figures. More important perhaps, it will demonstrate just how technology has improved in its exports ensuring long-term marketing and stability.
- How indirect exporters can participate in the Government's high priority export scheme. There has been much discussion over this in the past — and no clear guidelines have emerged as to how the film makers and rigid container makers, for example, can benefit from their vital contribution to exports.

This conference will probably see a much greater demand than before for a unified approach to market problems, and there seems to be considerable opportunity for obtaining group action on raw materials supply — surely the big problem right now.

THE 1979 Plastics Institute of New Zealand mid year conference will run from Saturday through till May 29 at Waitangi. Speakers will include Broadbank Ltd managing director Don Brash, Road Transport Association president Bob Martin, Manufacturers' Federation director general Ian Douglas and a Mitsui supply house representative.

Process control solution

PROCESS control is one of the most effective ways in which the New Zealand plastics industry can remain profitable in the face of spiralling raw materials costs, wages and general inflation, Maurice McKinlay said the other day.

McKinlay, who heads Tasman Machinery, said the recent severe cost increases represented an entirely new series of on-costs—"somehow or other these cost disabilities must be overcome".

He stressed that "between full automation and the present state of our industry, there is an enormous amount than can be done to cut costs and fulfil the higher level of expectations for quality.

McKinley detailed the specific advantages of digital programmed and closed looped controlled processes with particular reference to injection moulding.

Control theory, he said, was a mathematical abstract statement of the process to be controlled — not the instrument or instruments that will aid control.

To achieve the desired process management, it is necessary to choose the correct combination of variables.

Desribing programming as a semi-magical work, McKinley noted that it had been in use for years through cams, relays, limit switches. The new aspect was electronic setting — the setting of selected variables in a function dependent sequence. That is to say, the function may depend on time, pressure, distance.

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Wine moves to film bags

ACI Liquitainers, the Australian sistor of the AHI Liquitainer operation has secured "substantial" wine cask orders from Wynn Winegrowers Pty Ltd, the largest producer of casked wines in Australia.

Analysis of recent wine sales in Australia show that wines packed in winecasks now account for 40 per cent of all table wines.

The ACI development, which will be used in New Zealand, produced a bag consisting of a free inner layer of film to contain the wine plus a new three-layer laminate which includes a metallised film. The bag significantly extends the shelf life of the wine.

Closures open new growth

CLOSURES — the caps and seals on bottles — have now become one of the fastest growing areas of the plastics industry, and is being sustained in spite of the recent consumer market downturn.

AHI Closures, for example, one of the biggest manufacturers has staff working two shifts a day, six days a week to meet demand.

Since 1974, AHI Closures has supplied three million closures to one customer alone, Middows Taylor Ltd, a manufacturer and distributor for cosmetic houses. The biggest of these is Revlon. It distributes the Charlie brand which is now the market leader in New Zealand and Australia.

For AHI, the closures market has also drawn in valuable export revenue. Last year AHI Closure manager Jim Stewart visited Sydney and found that his company was price competitive.

The AHI breakthrough on closures is particularly significant for plastics processing just because it is so specialised. Cosmetic buyers are understandably primarily concerned with surface appearance and for a long time it was felt that New Zealand was uncompetitive in these high finish products. It was a problem that was compounded by lacquer procurement and application difficulties.

NZ heads client stakes

THE Australian plastics industry last year exported 39,491 tonnes valued at $21.6 million with New Zealand being its biggest single client.

New Zealand bought 14,770 tonnes valued at $9.73 million. Following in the customer ranks were Indonesia at 6653 tonnes valued at $2.87 million, the Philippines with 6455 tonnes at $2.87 million, Malaysia with 3650 tonnes at $1.41 million and Thailand with 3060 tonnes $1.30 million.

This means that New Zealand received in 1977-78 37 per cent of the tonnage and 45 per cent of the value.

This was down on the 1976-77 figure of 50 per cent of the total exports.

Plastic use increases

PLASTICS consumption in Australia increased by an estimated 7.2 per cent last year. This gives Australia a per capita consumption of almost 50 kilos per head of population.

The figures presented in the recent analysis by the Plastics Institute of Australia cover consumption of products from both locally produced and imported material.

Auto firms hesitate

THERE still appears to be severe limitations on New Zealand plastics firms participating to any substantial degree in supplying motor vehicle manufacturers.

President of the Motor Vehicle Manufacturers Association, Denform McDonald, noted that the main scope was in style features such as grilles, bumpers, instrument panels — yet it was these features that were most likely to be changed regularly, perhaps every 12 months.

"There is a huge restraint on New Zealand manufacture because of the total volume being so small."

In spite of research on plastics for skin pannelling — such as doors — McDonald said that he had not detected any overseas trend that pointed toward plastics.

McDonald also sounded an ominous note when he said that the auto industry world wide was worried about the "cost escalation" of plastics.

"It is becoming much easier now to forecast steel prices," he said.

Loaf wraps turn to bins

INDUSTRIAL accountant Ken Chandler of Hamilton has devised and manufactured a product that should appeal to housewives, and recyclers.

His conical shaped kitchen tidy is equipped to take the plastic bread loaf wraps that always end up in the rubbish bin.

But Chandler's invention will give bread wrappers a role as bin liner after their usefulness as bread wrapper is over.

Specialised Plastics Ltd have injection moulded 15,000 of the "Loafa" tidies and these are being distributed by bakeries north of Taupo.

The Loafas will be distributed along with the bread. Wherever bread will be bought — a Loafa can be purchased too.

The low cost bench top container for kitchen rubbish will retail for $3.96.

The export market beckons as well. Chandler has sent a sample to the United States department store chain of J C Penney and also to Australia.

Outlining how he came to develop the kitchen tidy Chandler said he had been trying to find a way for months to make use of the sliced loaf wrappers which, of course, are generally thrown away — though they are also used for sandwiches.

"The New Zealand Trade representatives are confident that the Loafa will do extremely well overseas," stresses Chandler.

Plant recycles plastic scraps

JOHN Dickinson, managing director of the Dibro Manufacturing Co of Petone has perfected a total recycling technique to provide the raw materials for his company's production of Christmas decoration balls.

The balls are made entirely from scraps supplied by Calvert Plastics of Stokes Valley. The scraps are reground at Dibro, then injection-moulded into complete hemispheres at the factory. From there, the balls are vacuum coated in Dibro's two 152cm vacuum treatment plants, which are among the largest in Australasia.

The two vacuum coating units have meant that Dibro can produce a wide range of toys and decorations that sparkle as if they were made of metal.

Ocean ranch waits for salmon to struggle home

by John Draper

PROBLEM: If one million fingerlings are released into a South Island river how many salmon will return three years later?

No one knows.

International chemical giant, ICI and Watties have formed a five-year joint venture to find out.

Nearly three years later they are none the wiser. But on their research and that by Takaka farmer Clive Barker and the Ministry of Agriculture and Fisheries, hangs a future export industry.

They have released nearly one million fingerlings in the last three years to test the viability of salmon ranching.

Quinnat salmon, introduced into South Island waters from North America in 1901 have been coming back ever since guided by a unique homing instinct which scientists suspect is geographical, linked to an acutely chemical sensitive nose.

But commercial tests so far have been disappointing.

Only two returning salmon from a release of 150,000 fingerlings by ICI-Watties into the Waitaki river in 1976 have been caught.

From a similar release at Takaka Barker has also only two returning fish.

No one is discouraged yet. The returning fish were two-year-olds while the main crop is not expected for another year.

And both groups are still struggling on the early climb up the learning curve.

The variable and unpredictable nature of most east coast rivers is partly to blame. Their changing courses along braided beds switch from a placid trickle to a raging torrent as weather and hydro power needs dictate.

Young fish are bought from the Ministry of Agriculture and Fisheries hatchery at Silverstream on the Waimakariri River near Christchurch.

Because salmon are still classed as a naturalised game fish, allocations for commercial and sporting use are at present controlled by the South Island Acclimatisation Societies Council using delegated powers from the ministry.

Regulations were drafted two years ago giving the Fisheries Minister power to authorise the operation of hatcheries by commercial organisations.

A fully licensed industry in the usual kiwi style will be established by the regulations, which have yet to be passed by the executive council.

Acclimatisation societies are not objecting to salmon ranching except where good trout streams might be affected.

But they are firmly opposed to pan-size salmon being raised as Barker has been doing at Bubbling Springs near Takaka for the last two years.

Pan-size salmon rearing is only one small leap away from trout farming, which the acclimatisation societies fervently oppose.

The full South Island council has now overruled its subcommittee, the South Island Salmon Committee which originally gave Barker permission to raise pan-sized fish in ponds.

Council president Colin Macnab describes Baker's operation as "the thin end of the wedge".

"It is an extremely dangerous precedent. The early settlers who brought salmon and trout to New Zealand were determined not to introduce the restrictive practices in Britain where water rights and access are the preserve of the rich".

Pan-size salmon, raised in ponds are already being sold by Barker to the restaurant trade in Auckland and Nelson.

Fisheries Minister Duncan MacIntyre has invited Macnab to Wellington for talks in a bid to allow pan-size rearing to continue, if only for a few years to offset the cost of establishing the intended ocean ranching.

MacIntyre has long been a supporter of salmon farming but political pressure has almost stalled progress so far.

Acclimatisation societies are rich with well connected National Party supporters who have little difficulty in making sure their message reaches the right ears.

In the interim ICI-Watties have been given approval by societies to catch their own spawning salmon this year, strip the eggs and raise them in a hatchery on the banks of the Clutha.

In the wild, a tiny percentage survive. In the hatcheries more than 90 per cent hatch and live to be released.

Salmon grow rapidly at sea turning from 15 centimetre tiddlers into 10 kilogram fish which return to their birth place to breed in two to five years.

The ocean ranchers are hoping for a minimum ½ a per cent return and more optimistically for a 2 or 3 per cent harvest to make the project commercially viable.

ICI-Watties will be reviewing their agreement and the future prospects of salmon farming in another two years.

Neither company foresees the project becoming commercial for another five years yet.

New Zealand is one of the few countries suited geographically to salmon farming. Japan has already investod millions of dollars to test the waters of Chilean Tierra del Fuego.

In Norway, where one New Zealand marine biologist has already been hooked by private enterprise, salmon are reared in pens moored in the fiords.

Losses are less but the feeding costs are high and disease potentially more prevalent.

New Zealand's fiords have not been seriously considered though they could be turned into enormous fish ponds with booms across the entrance to keep salmon in and predators out.

Ocean ranching, saves enormouse feeding bills and investment in specialised equipment, though the salmon are beyond control for several years. In New Zealand it also has the advantage of being unopposed by the acclimatisation societies.

Marketing tests have already been carried out with wild salmon sent to the potential markets, Japan, North America and Europe.

Returns are promising. One Japanese supermarket has already approached both ICI-Watties and Barker trying to buy large quantities which neither can yet supply.

Salmon is a luxury product selling at up to $16 a kilo overseas.

At home the potential is enormous. The hotel and restaurant trade is virtually untouched though salmon are being passed in at many a hotel back door for $40 each.

American and European housewives buy 20 times as much salmon in cans or as paste or even in smoked form than their New Zealand cousins do.

A multi-million dollar industry is waiting for a few salmon to knock on the right door as they struggle back to their birthplace.

Shipping magnate undercuts cartel

BELGIAN shipping magnate Tsvi Rosenfeld is offering to undercut conference freight rates to Europe by 10-15 per cent.

And his ABC container line service is in a strong position to challenge the cartel of shipping lines controlling the New Zealand European trade.

ABC has a 15-year, $300 million contract to carry mineral sands from West Australia to the USA Gulf, providing the service with a guaranteed bulk cargo which pays 30 per cent of the operating costs for westabout round-the-world service.

ABC has four ships on the run. Two further ships will be delivered this year.

These ships were financed 70 per cent by the Belgian Government in a move to provide work for the Belgian shipbuilding industry.

The ships are specially designed to combine bulk cargoes and containers. They carry containers to Australia, pick up bulk mineral sands and containers, go to New Zealand for more containers, then to the USA Gulf to offload sands and from there to Europe.

Rosenfeld has plans on the drawing board for two further ships due into service in 1982. These ships, to be financed by a long-term 1 per cent loan from the Belgian Government, will be 45,000 tonnes and have capacity for containers, both reefer and dry cargo, plus bulk cargo. They will have stern ramps to facilitate roll-on-roll-off loading.

The first ship is due in New Zealand in August. It needs 200 containers a voyage to make the New Zealand leg economic.

Sailings will be every three weeks. Each ship can carry 600 containers.

The ships have a limited capacity for refrigerated containers.

The ABC service has been operating in Australia since late last year. There, they pulled off an unprecedented coup securing 1200 containerloads of wool from the Australian Wool Corporation — thus breaking the conference's long standing hold on the wool trade.

Australian wool exporters got a 23 per cent reduction in their freight rates from ABC, Rosenfeld said.

New Zealand wool exporters have been prohibited from going outside the conference on the USA or European trades by the New Zealand Wool Board when non-conference lines offered freight reductions in the past.

The Dairy Board should be an easier nut to crack. The Dairy Board, unlike the Wool and Meat Boards, shops around for the best freight rates going and is not averse to shipping dry cargoes non-conference when the rates are right.

ABC has been operating in Australia for less than a year, and Rosenfeld estimated that his line had only 5 per cent of the trade.

But the net effect of ABC's non-conference competition had been a reduction in freight rates to and from Australia of 20 per cent.

This sort of talk found receptive ears among the manufacturing exporters, many of whom are finding their goods priced out of world markets by the high freight rates charged by the cartels.